

PEOPLE
America's Richest

The Global Newspaper
Printed Simultaneously
in Paris, London, Zurich,
Hong Kong, Singapore,
The Hague and Marseille

WEATHER DATA APPEAR ON PAGE 16

No. 31,930

42/85

Herald Tribune

Published With The New York Times and The Washington Post

ZURICH, THURSDAY, OCTOBER 17, 1985

ESTABLISHED 1887

Nicaragua Suspends Rights

Ortega Blames 'Criminal Policy' Of Washington

By William R. Long
Los Angeles Times Service

MANAGUA — President Daniel Ortega Sastre has announced the suspension of many civil rights in Nicaragua because of "the U.S. government's criminal and aggressive policy" toward the country.

Mr. Ortega signed a decree Tuesday extending for a year a state of emergency that was imposed in March 1982 but which was eased in July 1984. The only major measure that had remained in force was a requirement that newspaper and magazine articles be reviewed prior to publication.

The new decree suspends the guarantees that had been restored. They include the right of free expression, public assembly, unrestricted movement within the country and mail privacy. Also suspended are the right to organize labor unions and to strike, the right to a speedy trial and the right to appeal judicial sentences.

Under the decree, the authorities are permitted to search homes and make detentions without warrants.

The state of emergency was imposed and has been extended repeatedly on the ground that it was needed to defend the Sandinist government against U.S.-supported guerrillas.

Mr. Ortega said that "agents of imperialism" inside Nicaragua worked through political parties, news media and church organizations to destabilize the country and sabotage the Sandinist revolution.

"The government and the heroic people cannot permit that these activities of sabotage and political destabilization, directed by the government of the United States, continue to be carried out with impunity," he said.

In a related development, Nicaraguan security agents confiscated the first issue of a Roman Catholic Church newsletter critical of the Sandinist government.

The Interior Ministry said that it had been published without authorization and contained "highly political" material.

The restrictions on civil liberties were eased last year during campaigning for presidential elections.



Daniel Ortega Sastre

which Mr. Ortega won with 67 percent of the vote.

Mr. Ortega said Tuesday that in addition to support for the guerrillas, including \$27 million in non-military aid approved by Congress in June, the United States holds military maneuvers near Nicaragua that "threaten us constantly with direct military intervention."

He said that clashes with rebels on the Costa Rican and Honduran borders were provoked by the United States. Mr. Ortega also asserted that the Reagan administration had interfered with peace efforts by the Contadora group. Comprised of four Latin American nations, the group is working to bring about a regional peace agreement.

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Shake-Up Urged for Pentagon

Senate Report Says Joint Chiefs Should Disband

By Bill Keller
New York Times Service

WASHINGTON — The Senate Armed Services Committee made public Wednesday a report that called for disbanding the Joint Chiefs of Staff, streamlining the Defense Department, and elevating the senior combat commanders in the field to leading positions within the military.

The committee's chairman, Senator Barry M. Goldwater, Republican of Arizona, said the proposals could be the starting point for the first comprehensive changes in how the military operates since the Eisenhower administration.

Mr. Goldwater and Senator Sam Nunn, Democrat of Georgia, the senior Democrat on the panel, stressed that they had not endorsed the recommendations. But they said the military system was plagued by severe defects that caused wasteful spending in peacetime.

Some members of the committee objected to the report's blunt criticism of how the military operates and said the proposed changes would make matters worse.

Senator John W. Warner, Republican of Virginia, a former secretary of the navy, said the proposals amounted to "open-heart surgery on the Department of Defense" and said the existing system "has given us 40 years of peace."

Mr. Goldwater predicted strong resistance to the proposals from the Defense Department.

A Pentagon spokesman said agency officials had not had a chance to read the 645-page study.

The report contends that the military services are preoccupied with their own programs, leaving critical gaps in the strategy, equipment and skills needed to fight together.

The study's director, James R. Locher 3d, defended the report as a candid hearing, saying the defense secretary was undermined by independent Pentagon field offices and by "logrolling" among the military services to protect each other's programs.

Coordination Problems

The review was prompted by problems of interservice coordination that have beset U.S. military operations in Vietnam, Iran and Grenada, the Los Angeles Times reported from Washington.

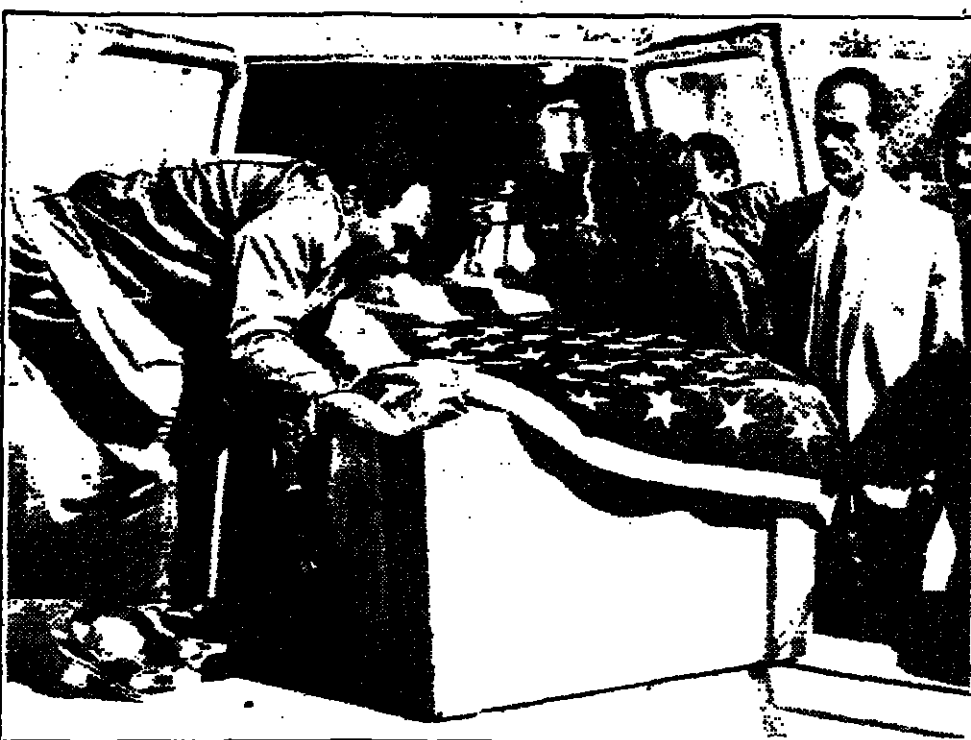
The study's authors also said that the Pentagon's long-range policies "do not appear to be well-formulated and are apparently only loosely connected" to available resources.

The report blamed Congress for a "substantial instability in defense policies and programs," and recommended that the House and Senate focus more on broad issues of military policy than on minor details.

Among the report's 91 specific recommendations are a call for reorganization of the Pentagon's senior civilian staff to place a larger emphasis on military missions. The panel would abolish the position of undersecretary for policy and would name three new undersecretaries with responsibility for nuclear deterrence, North Atlantic Treaty Organization defense and regional defense.

The Joint Chiefs of Staff would be abolished, leaving the chiefs of the army and air force, the chief of naval operations and the commander of the Marine Corps free to focus on their own service matters.

A Joint Military Advisory Council of high-ranking officers would be established. It would be made up of a chairman and four-star officers from each service on their last tour.



A coffin containing the body of Leon Klinghoffer, the American killed during the hijacking of an Italian ship, was wrapped in a flag Wednesday before being flown from Syria to Italy.

Body of Slain American Identified; Bullet Wounds Found in Head, Back

Compiled by Our Staff From Dispatches

WASHINGTON — A corpse that washed ashore in Syria was identified Wednesday as that of Leon Klinghoffer, the American killed in the hijacking of the Achille Lauro cruise ship, the State Department said.

"We have positive identification," a spokesman said.

The State Department said there were two gunshot wounds, one in the head and another in the back. Mr. Klinghoffer's body was being transferred Wednesday from Damascus to Rome for further medical examination.

A State Department official said the body would be returned to the United States, but he did not know when.

Mr. Klinghoffer, 69, who was on a vacation cruise with his wife, was killed on the Italian liner Oct. 8 and his body was dumped over the side of the ship. The vessel had been

commandeered the day before by four hijackers.

Attorney General Edwin Meese 3d said the United States had "hard evidence" to support its allegation that a Palestine Liberation Front official, Mohammed Abbas, was involved in the hijacking.

Mr. Meese refused to divulge the nature of the evidence.

At the White House, a senior administration official disclosed that Israeli intelligence gave the United States transcripts of ship-to-shore conversations between the Achille Lauro and Mr. Abbas.

That official said that the United States had other evidence against Mr. Abbas as well, including references to him being known personally by the four Palestinians, now in Italian custody, and information showing they accepted instructions from him.

Mr. Meese said the United States was "making as much headway as we possibly can" in efforts to apprehend Mr. Abbas, who remains at large.

Mr. Meese disclosed that the FBI was involved in the search for Mr. Abbas, although the attorney general said he did not want to discuss the specifics of any law enforcement strategies.

At the White House, the official, who spoke on condition of anonymity, described the ship-to-shore conversations as "virtually public broadcasts," suggesting it was relatively easy to overhear the four Palestinians who seized the Italian cruise ship.

The official said the hijackers apparently planned to carry out an attack when the Achille Lauro docked at Ashdod, an Israeli port city, but "botched" the operation.

Mr. Abbas, 38, is an associate of Yasser Arafat, the PLO chairman, but the official said the United

States was "making as much headway as we possibly can" in efforts to apprehend Mr. Abbas, who remains at large.

Arafat: Losing Ground on Both Sides

Ship Affair Damaged PLO Chief's Stature, Experts Say

By Thomas L. Friedman
New York Times Service

JERUSALEM — Yasser Arafat's international standing has been greatly damaged by the Achille Lauro affair, according to both Arab and Israeli analysts of Middle East politics.

The analysts say the hijacking of the Italian cruise ship, combined with the British government's refusal Monday to meet with two representatives of the Palestine Liberation Organization, not only damaged Mr. Arafat's stature in the West but also greatly complicated his relations with key Arab governments.

Syria and Jordan have taken their own quiet revenge on Mr. Arafat. The net result appears to be that the Jordanian-Palestinian peace initiative of February now appears to be in jeopardy, along with whatever else remains of the current Middle East peace process.

The Syrian and Jordanian blows against Mr. Arafat came in the form of seemingly innocuous communiqués issued in Damascus and Amman. But each spoke volumes about the state of Syrian and Jordanian relations with the PLO chairman in the aftermath of the Achille Lauro episode.

What both the Syrians and the Jordanians told Mr. Arafat through these terse messages, Arab and Israeli political analysts say, was that they are fed up with him.

each for their own reasons: Syria because it believes Mr. Arafat is flirting with U.S.-sponsored peace initiatives, and Jordan because it believes Mr. Arafat is bluffing in his support for the very same initiatives.

The Syrian signal to Mr. Arafat

came in the form of a brief announcement from Damascus on Tuesday morning that a body — which American officials later identified as that of Leon Klinghoffer, a slain American tourist from the Achille Lauro — had washed up on a beach near the Syrian city of Tartus.

Syria is a police state, the Israeli and Arab analysts noted, and when it is in the interest of the authorities to hide the discovery of a body, it is easily covered up. The body found near Tartus certainly would not have been the first corpse to have suffered an unreported burial inside Syria or Syrian-occupied Lebanon.

But far from covering up, the Syrians immediately announced their discovery. Then, with what the political analysts called thoroughly uncharacteristic efficiency and cooperation, they turned the body over within hours to the U.S. Embassy.

According to the Arab and the Israeli analysts, the Syrians had more than a humanitarian gesture in mind. Their actions were clearly

designed to compound the embarrassment from the Achille Lauro affair for Mr. Arafat as well as for an associate of his, Mohammed Abbas, the Palestinian leader sought by the United States as the "mastermind" of the hijacking, and for President Hosni Mubarak of Egypt, all of whom are enemies of the Syrians.

"The best way for the Syrians to undermine Arafat's relations with the United States and make sure that the Americans won't want to include him in any peace initiative," said Asher Susser, an expert on the PLO at the Dayan Center of

for technology sales to China would now be approved automatically or nearly automatically.

After many months of review and discussion, diplomats from the COCOM nations decided a month ago to liberalize the approvals for technology sales to China. Member nations were given 30 days to raise objections. None did so, and the new treatment of China was supposed to become effective as of Wednesday.

Mr. Bush made his announcement on COCOM liberalization in the capital of a Chinese province, Sichuan, which has taken the lead in agricultural experimentation and in allowing Chinese peasants to grow more crops for their own profit.

At the opening Wednesday of a new U.S. consulate in Chengdu, Mr. Bush praised that experimentation, declaring that "here on the great plains of China, a miracle has taken place."

"We believe it is just the first of many miracles," he added. "We want to work those miracles with you."

Speaking to 500 students, Mr. Bush attributed China's increased agricultural production to greater freedom extended to farmers.

"It's very simple," he said. "More freedom, more food, more incentive, more production."

But Mr. Bush also said: "We recognize that your rural reforms and urban ones that followed are not capitalistic."

Mr. Bush noted that when he served in China as head of the U.S. mission in Beijing in 1974-75, the main U.S. and Chinese concern was "to oppose Soviet hegemony."

"This is still important," Mr. Bush said. "But now we also have other important mutual interests, including political interests."

Spadolini Quits Italian Cabinet Over Hijacking

The Associated Press

ROME — The Republican Party of Defense Minister Giovanni Spadolini said Wednesday that it was leaving Prime Minister Bettino Craxi's coalition to protest the release of a Palestinian sought by the United States in the hijacking of the cruise ship the Achille Lauro.

But Mr. Craxi, a Socialist, said that he did not intend to resign without submitting his cabinet to a parliamentary vote of confidence.

He said that he would make his government's case to the parliament on Thursday. Mr. Craxi's five-party coalition holds a majority in the 360-seat Chamber of Deputies even if the Republicans vote against him.

Mr. Spadolini, a former prime minister, said that he expected that his party's decision would bring about the collapse of the 26-month-old cabinet, Italy's 44th postwar government.

The Republican Party's decision was announced after Mr. Spadolini and Mr. Craxi conferred for more than two hours.

Mr. Spadolini has criticized the government's handling of the hijacking and has refused to endorse a government statement intended to justify the release of Mohammed Abbas, a Palestinian leader who the United States contends masterminded the hijacking of the cruise ship.

Mr. Spadolini has condemned Italy's release of Mr. Abbas, who left the country Saturday for Yugoslavia and whose whereabouts are not known, and the failure by Mr. Craxi and Foreign Minister Giulio Andreotti, a Christian Democrat, to consult him on major decisions during the hijacking.

Earlier, Loren Jenkins of The Washington Post reported from Rome:

U.S. evidence intended to persuade the Italian authorities to arrest Mr. Abbas arrived 30 minutes after he had been allowed to leave the country, according to Defense Ministry sources.

A statement from Mr. Spadolini, quoted by the newspaper La Stampa on Wednesday, gave credence to Mr. Craxi's argument that Mr. Abbas was allowed to leave because the United States had failed to produce the evidence to justify his arrest under Italian law.

According to sources close to the defense minister, the evidence was not delivered by the U.S. government as promised by Mossad, the Israeli intelligence agency.

The sources added that, instead of going to the governmental and judicial officials concerned, the evidence was sent to Italian military intelligence officials and was not delivered to Mr. Craxi until late Monday night.

A Defense Ministry spokesman confirmed the existence of the evidence, a tape recording, but refused to comment on its content, which was termed secret.

It was not immediately clear whether the evidence supplied to the Italians was the same as that cited Wednesday by U.S. officials who said that evidence in the United States would prove Mr. Abbas's role.

The tape, according to Italian sources, has Mr. Abbas identifying himself to the hijackers as Abu Khaled and being greeted by them, who respond that they are "awaiting his orders."

Mr. Abbas had been asked to intervene by the leader of Palestine Liberation Organization, Yasser Arafat, after Mr. Craxi sought Mr. Arafat's assistance.

Mr. Abbas's orders, according to the source, were that the hijackers surrender immediately, leave their arms behind, prepare to abandon ship and admit that their mission was not the hijacking of the ship but a terrorist raid on the Israeli port of Ashdod.

The committee, which included senior lords from Prime Minister Margaret Thatcher's Conservative Party, said that Britain would be in crisis once North Sea oil began to run out after 1990 unless manufacturing industry were revived.

Leon Brittan, the minister of trade and industry, rejected the report's findings. He responded that although recession had hit the economy, investment had risen, productivity had improved and exports were at record levels.

"The report needs to be set in perspective," he said. "If we are not to get a totally biased and misleading view of the performance and prospects of our economy."

The committee compiled its report after taking evidence from civil servants and industry leaders, including Lord Weir, managing director of British General Electric Co., and Sir John Harvey-Jones, chairman of Imperial Chemical Industries.

The found that Britain's weak export performance and high import penetration had been due to poor investment and cost competitiveness of home-produced goods, partly due to a rise in the value of the British pound from 1977 to 1982.

"Poor trade performance over a wide spectrum of industry has combined with a period of low growth in the economy," it said. "To produce such a severe fall in the output of manufacturing that output has yet to recover to its 1979 level."

Mr. Brittan said that manufacturing was playing a smaller part in most major industrial countries as a share of the total economy.

Britain's trade balance in manufactured goods moved into the red for the first time in 1983. According to official statistics manufacturing output is now 6.5 percent below its 1979 level.

The committee called for lower interest rates, higher investment and steps against unfair trading practices to help revive the economy and stimulate trade.

Decline Seen In Britain as Irreversible

Reuters

LONDON — A report from an all-party committee of the House of Lords published Wednesday predicted irreversible economic decline, with stagnant production, rising inflation and ever-rising unemployment unless current policies are changed.

"Failure to recognize these dangers now could have a devastating effect on the future economic and political stability of the nation," the committee of the upper house of Parliament said.

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U.S. Says EC Subsidizes Wheat Exports Unfairly

By Terence Hunt
The Associated Press

WASHINGTON — President Ronald Reagan on Wednesday accused the European Community of unfairly subsidizing wheat exports and thus forcing down world grain prices and hurting foreign sales of U.S. wheat. He ordered that the case be taken to international negotiations.

He also accused South Korea of denying fair protection to so-called "intellectual property rights," such as works of U.S. authors, and the omission from patent law of food-stuffs and chemical compounds.

The actions were the latest steps in the president's campaign to cool protectionist fever in Congress in the face of a merchandise-trade deficit expected to reach \$150 billion this year.

The U.S. trade representative, Clayton K. Yentler, told the Senate Foreign Relations Committee on Wednesday that the administration was working on ideas on opening up foreign markets that might be offered to Congress next week.

On the wheat exports, U.S. officials estimated that American farmers lost \$2 billion annually because of EC subsidies.

The subsidies have increased the EC's share of the world wheat market from less than 3 percent in the early 1970s to more than 16 percent in the last year, the administration said. It said the subsidies also have "depressed world prices."

"It is difficult to quantify the effects of these policies, especially where the effect is simply a decision not to invest in Korea," the White House said.

"However, in the copyright area alone, U.S. industry estimates losses of over \$170 million annually," the White House added.

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A giant robot is ready to take its first steps. Page 8.

BUSINESS/FINANCE

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Investment bank said it plans to buy Beatrice Cos. Page 9.

West German, Americans Win Nobel Science Awards

The Associated Press

STOCKHOLM — Klaus von Klitzing of West Germany won the 1985 Nobel prize in physics Wednesday for a discovery expected to advance the semiconductor industry, and two U.S. researchers were awarded the Nobel prize in chemistry for their research in crystal structures.

Professor von Klitzing, 42, was cited for his discovery in 1980 of the "quantized Hall effect," which changed thinking on how electrical conductivity would behave under varying magnetic influences and is important to the semiconductor industry.

"It's absolutely fantastic," he said as he and colleagues uncorked champagne in Stuttgart. "I just can't believe it. I am very, very happy to be honored like this."

The Royal Swedish Academy of Sciences has given the chemistry prize to Americans for three consecutive years. The two Americans are not chemists themselves, but physicists.

Herbert A. Hauptman, 68, is a

professor at the Medical Foundation of Buffalo, New York, and Jerome Karle, 67, is a professor at the U.S. Naval Research Laboratory in Washington. Nobel officials said.

"I'm still numb," Professor Hauptman said. "I was terribly surprised. I still don't believe it."

Professor Karle was aboard a trans-Atlantic flight to Washington from West Germany when the announcement was made.

Nobel officials said the achievements of the two Americans had allowed development of "practical instruments for determining the structures of molecules within both inorganic and organic chemistry — not least within the chemistry of natural products."

"Their work is not within chemistry but is important for chemistry," said Professor Ingvar Lindqvist, a member of the Nobel chemistry committee.

The announcement said their work has made it possible to study chemical reactions at the molecular level.



Professor Klaus von Klitzing in his laboratory in Stuttgart.

New Middle Class Widens Horizons For India But Strains Social Fabric

By Stuart Auerbach
Washington Post Service

NEW DELHI — A burgeoning middle class, considerably larger than the population of France or West Germany, has emerged as a powerful social and economic force that holds the promise of propelling India out of the ranks of the world's 15 poorest countries.

This new group numbers 70 million to 100 million of India's 750 million people. A.V. Pai Panandiker, a social scientist, calls it the "emerging constituency" for Prime Minister Rajiv Gandhi.

Mr. Gandhi shaped his budget to meet the demands of these people, who have achieved wealth in the past five years as the owners and managers of booming industries that have sprung up around India's

major urban centers of Bombay, New Delhi and Madras. Their factories turn out a diverse array of goods, such as textiles, auto parts and consumer electronics.

"They are the critical mass that now makes it feasible to raise the standard of the half of the people in India who live in poverty," said Mani Shankar Aiyer, an aide to the prime minister.

But the political clout and free-spending ways of this middle class have raised concerns that it is tearing apart India's social values, demanding more than its share of the fruits of the Indian economy, and further widening the gap between rich and poor in a country where the average income is \$260 a year.

Those who do not share in the prosperity are only left with high costs," said Pran Chopra of the Center for Policy Research.

The spending of the newly wealthy creates "stresses" for the 350 million Indians who live below an abysmally low poverty line.

A high-ranking civil servant, a member of the top Hindu caste, the Brahmins, said, "They no longer

espouse the Gandhian values, traditional in this country even if we don't follow them." He was referring to Mahatma K. Gandhi, the ascetic who sparked India's independence movement.

Children of the newly wealthy are intensifying the already strong competition to get into India's best schools.

In fact, many of the desires of what Mr. Pai Panandiker called the "assertive, vibrant and growing middle class of India" seem ordinary by American or West European standards: telephones that work, a dependable supply of electricity, television sets, cars, air conditioners and video recorders.

But in an economy of scarcity such as India's, demands for these kinds of consumer goods place extraordinary stresses on the government's priorities for industrial development and the spending of its foreign reserves.

Mr. Gandhi's mother, Indira Gandhi, built her constituency as prime minister around India's poor, Mr. Pai Panandiker said. But her son, who succeeded Mrs. Gandhi when she was assassinated a year ago, seems to have recognized the power of the new class.

Mr. Chopra said that Mr. Gandhi "has to guard against getting pulled into" the concerns of the middle class and ignoring other problems of the country, like high illiteracy and infant mortality rates and a lack of roads and sanitation for India's 500,000 villages.

The prime minister's associates reject the notion that he has abandoned the needs of the poor in favor of the middle class. Mr. Gandhi has visited some of the poorest of India's rural poor, sometimes surprising bureaucrats with his insistence on going to inaccessible villages.

Party Vote in South Yemen

ADEN, Southern Yemen — President Ali Nasser Mohammed has been reelected to a five-year term as secretary-general of the ruling Yemen Socialist Party, it was announced Wednesday.

A BERRY, A SEED AND A ROOT STEEPED IN HISTORY

Juniper berries from Northern Italy, coriander seeds from England and angelica root from Flanders.

These are what impart such delicate characteristics to Beefeater gin.

Macerated in pure grain alcohol and then distilled in accordance with the original recipe of James Burroughs, the company's founder.

We haven't changed a thing. Not in 170 years.

We're a company steeped in history. We like it that way.

And every time you taste our London Dry Gin, with its fleeting essence of juniper, coriander and angelica — you'll like it that way too.



THE GIN OF ENGLAND

100 Feared Dead as Ceiling Falls in Dhaka

United Press International

DHAKA, Bangladesh — A dormitory ceiling at Dhaka University collapsed Tuesday during a storm, trapping about 400 students under the rubble. Thirty-six bodies have been recovered, and officials say more than a hundred students are feared dead.

The dormitory ceiling, which was being repaired, collapsed on students who were watching a television show. The storm was triggered by a

cyclone that struck the southwestern coast of Bangladesh.

A 10-foot (three-meter) tidal wave accompanied by 60-mph (100-kph) winds inundated six islands Tuesday off the coast of Bangladesh near the state of West Bengal in India.

Officials said a large number of fishermen were on several islands and were probably drowned. At least 20 boats and about 300 fishermen are missing, officials said.

Jakarta Cracking Down on Dissidents

Many Are Ex-Officials Who Helped Suharto Build 'New Order'

By William Branigan

Washington Post Service

JAKARTA — President Suharto of Indonesia conducted a solemn ceremony early this month to commemorate the murders 20 years ago of seven top army officers during an abortive coup by the Communist Party.

To mark the same event, a gaunt, gray-haired man in a Jakarta courtroom was ordered to bow his head for a moment of silence. The man, Hartono Rekso Dharsono, 60, was once a lieutenant general and a pillar of the president's early days in power. Now he is being tried for allegedly inciting Muslims to rebel against the government.

The charges carry a maximum penalty of death by firing squad.

Twenty years after Mr. Suharto, then a little-known army general, crushed the coup attempt and

launched his own bid for power, his government is cracking down on leading dissidents who were once his comrades in arms.

They include former generals and cabinet ministers who were instrumental in building Mr. Suharto's "new order" to replace the leftist regime of Indonesia's first president, Sukarno.

The chief prosecutor says that others who are to be tried include Ali Sadikin, 58, a popular and wealthy former commander of marines who served as governor of Jakarta from 1966 to 1977; Hugen Iman Santoso, 64, a retired police chief; Syafrudin Prawiranegara, a former prime minister; Anwar Haryono, 62, a former member of parliament; Suyitno Sukirno, a retired air force marshal, and Bratanata, 57, a former minister of mines and energy.

The crackdown comes at a time of economic downturn that some government and military officials say could be exploited by Muslim radicals.

Favorable targets of fiery sermons by militant Muslim preachers in recent months have been domination of the economy by the Chinese minority, the military's role in politics, and the allegedly "un-Islamic" nature of Mr. Suharto's state ideology, known as *pancasila*. Its vaguely defined provisions are based in one God, humanitarianism, national unity, representative democracy "guided by wisdom" and social justice for all.

Indonesia, a former Dutch colony that includes about 13,600 islands spanning 3,000 miles (4,800 kilometers), ranks as the world's fifth most populous nation and the largest in the Muslim world. About 90 percent of its 160 million people are Muslims.

One of the founding members of the nonaligned movement, Indonesia now is considered a major power in the Third World and a regional bulwark against communism. The country also belongs to the noncommunist Association of Southeast Asian Nations and the Organization of Petroleum Exporting Countries.

While the number of Islamic militants is believed to be relatively small, Indonesian and foreign sources say, the virtual political monopoly of Mr. Suharto's governing Golkar party and the crackdown on dissidents mean that Islam is becoming the only forum for dissent.

"The power of political Islam in a formal sense has been broken" by requirements that all parties embrace Pancasila and have their candidates for office approved by the military, a Western diplomat said.

Yet, he said, religion "seems to be the one area of society that has the potential to throw up popular leaders and generate immense popular sentiment very quickly."

Among those caught in the current crackdown are Muslim preachers accused of inciting anti-

government rioting and other violence.

In addition, four communists arrested nearly two decades ago in connection with the failed coup attempt have been executed in recent months. The government says a long appeals process caused the delay in carrying out the sentences, but critics suggest that some action against the left was seen as necessary to balance the crackdown on the Muslim right.

Moderate dissidents have asserted that Mr. Suharto has stressed development at the expense of democracy and that the military's "dual function" role in government has created a totalitarian atmosphere.

The ultimate target of the campaign against dissidents, some of them, is a group of 50 prominent retired military officers, former cabinet ministers, Muslim leaders and student activists who signed a 1980 "statement of concern" about Mr. Suharto's policies.

The statement asserted that Mr. Suharto was turning the five-point Pancasila state ideology into "an instrument of coercion against political contenders" and using the military as a partisan force for those in power.

Signers long have complained of government harassment. They say they have not been allowed to travel abroad, get bank loans or attend official functions.

But the pressure increased sharply last year after a violent incident in Jakarta's Tanjung Priok waterfront slum in which soldiers opened fire on Muslim marchers demanding the release of four arrested youths.

The government has acknowledged that at least 30 persons were killed, but dissidents say the number may be more than 100.

In the six months following the Sept. 12, 1984 shooting, a wave of bombings and fires rocked Jakarta and other cities.

Among the targets were a bank owned by a close ethnic Chinese associate of Mr. Suharto, a Jakarta department store, a Catholic seminary, the renowned Buddhist temple of Borobudur and a tourist bus.

At least nine persons were killed in these incidents.

A few days after the Tanjung Priok shooting, 22 dissidents, including 16 signers of the Petition of 50, issued a white paper challenging the government's version of the incident and calling for an independent fact-finding commission to investigate it.

Such sentiments aroused concern within the government about possible unrest during general elections scheduled for 1987.

The concerns have been heightened by a slowdown in Indonesia's economy, which is expected to record real growth in gross domestic product this year of less than 4 percent, compared with about 6 percent last year.

Suharto, minister of mines and energy, recently predicted a potentially damaging drop in oil prices in 1986.

WORLD BRIEFS

Laxalt, Marcos Meet on Insurgency

MANILA (Reuters) — Senator Paul Laxalt, a special emissary of President Ronald Reagan, met President Ferdinand E. Marcos here Wednesday to convey concern over a growing Communist insurgency in the Philippines.

A U.S. Embassy spokesman would say only that Mr. Laxalt, a Nevada Republican and a close friend of Mr. Reagan, had met with Mr. Marcos. News reports had quoted one administration official as saying that Mr. Laxalt would be delivering "an extremely blunt message of warning" on the insurgency.

The presidential palace would say nothing about the meeting. The embassy spokesman said there would be no further comment and that Mr. Laxalt, who is to return home Thursday, would not meet with journalists.

8,000 Left Homeless in Soviet Quake

MOSCOW (AP) — Rescue workers dug in the wreckage of a rug factory for victims of an earthquake in the republic of Tadzhikistan, which left more than 8,000 people homeless and caused hundreds of millions of dollars in damage, it was reported Wednesday.

More than 1,000 people were working in the factory when the earthquake struck on Sunday night, one report said. Tadzhikistan is in Soviet Central Asia near the Chinese border.

The reports said there were deaths among residents of Kairakum and the surrounding area, where the quake hit hardest, but there were no casualty figures. The newspaper Izvestia said that 8,000 of Kairakum's 15,000 inhabitants were homeless.

Budapest Meeting Ban Stirs Protest

BUDAPEST (UPI) — The heads of several Western delegations attending a cultural forum of 35 nations met Wednesday to discuss a possible joint reaction to Hungary's decision to stop a human rights group from meeting in Budapest.

Sources in several of the delegations said the action was planned in response to the Hungarian decision but it was not immediately clear what form it would take. The cultural forum is the first to deal exclusively with the cultural provisions of the Helsinki Final Act, a document signed in 1975 by 33 European nations, the United States and Canada that pledged to find ways of resolving the issues dividing Europe.

In a last-minute move that some observers speculated was the result of pressure from the Soviet Union and other allies, the Hungarian government refused late Monday to allow the International Helsinki Federation, a human rights group, to meet in a hotel conference room. The United States protested saying the decision harmed the spirit of the Budapest cultural forum. The organizers of the alternative forum said they intended to continue their meeting at private homes.

EC Asks Pretoria to Spare Black Poet

PARIS (Reuters) — The European Community is renewing its appeal to South Africa not to execute Benjamin Moleise, a black activist and poet, a French cabinet minister said Wednesday.

Catherine Lamure, the French secretary of state for European affairs, said that the appeal, on humanitarian grounds, was being sent immediately to the South African government.

Mrs. Lamure said that France also was making a separate appeal to Pretoria not to go ahead with the execution of Mr. Moleise, who was sentenced to death for killing a black policeman. His request for a retrial has been rejected.



Benjamin Moleise

5 Companies to Study Eureka Projects

PARIS (UPI) — Five Western European aerospace companies said Wednesday they have agreed to consider working on projects together for Eureka, a French initiative to promote European cooperation in high technology.

Areas of future cooperation could include electronics, information science, the use of computers in designing and manufacturing, development of computer programs, robotics, lasers and optic fibers. Two of the companies, Aerospatiale of France and Messerschmitt-Bölkow-Blom GmbH of West Germany, previously announced that they planned to cooperate in Eureka projects.

Management executives said that British Aerospace, Aeritalia of Italy and Construcciones Aeronauticas SA of Spain would join the other two companies in studying projects. Other companies may be asked to join the project as associates or full partners, they said.

Blood Type Cited in Transplant Death

MONTEREY, California (LAT) — A baby who received a heart transplant from a baboon a year ago died three weeks later because of a "catastrophic" decision to transplant a heart of a different blood type, according to the surgeon who performed the operation.

The failure to match blood types between the baboon and the infant, who became known as Baby Fae, was a tactical error that came back to haunt us," said Dr. Leonard L. Bailey of the Loma Linda University Medical Center near Los Angeles.

"If Baby Fae had the type AB blood group," he said, instead of the type O blood group, "she would still be alive today." As a result of the blood mismatch, he said, the infant developed antibodies to her own red blood cells that caused her blood to clot in her circulation. She received the baboon heart on Oct. 26, 1984, when she was 15 days old.

Libya Is Said to Expel Syrian Workers

DAMASCUS (Reuters) — Libya has expelled 10,000 to 20,000 Syrian workers in the past 10 weeks to show its displeasure over Syria's role in Lebanon, according to diplomats here. The expulsions were confirmed by Arab sources who interviewed some of the returning workers.

Libya has expelled or laid off up to 110,000 other foreign workers, including many Tunisians and Egyptians, this year following reports that it was suffering from a shortage of money because of declining oil revenues.

Libya is a financial supporter of many Syrian-based Palestinian guerrilla groups and Palestinian sources in Syria said that Libya once threatened to withdraw its diplomats from Damascus unless the government of President Hafez Assad persuaded Amal, the Syrian-backed Shiite Muslim militia group, to stop attacking the refugee camps.

For the Record

King Baudouin of Belgium asked Prime Minister Wilfried Martens on Wednesday to form a new government following the election victory of his center-right coalition, the royal palace announced. (Reuters)

President Heng Samrin of Cambodia was re-elected Wednesday as general secretary of the People's Revolutionary Party, the official SPK news agency reported. (UPI)

Four Asian men were charged Wednesday with conspiracy to kill Prime Minister Rajiv Gandhi of India during his official visit to Britain, which ended Tuesday, the police in Leicester said. They refused to identify the men further, but the Press Association said they were Sikhs. (AP)

Soviet Said to Mistakenly Gas Afghan Troops

United Press International

NEW DELHI — Soviet jets sprayed an "unidentified chemical substance" in eastern Afghanistan and the attack, apparently aimed at Islamic guerrillas, killed 30 Afghan government troops and an un-

known number of civilians, Western diplomats said this week.

The diplomats said the jets sprayed the chemical in the Maydan area of Wardak Province, about 16 miles (25 kilometers) southwest of Kabul, from Oct. 6 to Oct. 12. The diplomats said they could not identify the chemical but one said that "a misdirection of wind" had swept the gas away from the guerrillas.

The United States has previously accused the Soviet Union of using chemical weapons in Afghanistan. The Soviet Union has repeatedly denied the accusation.

"This may have been a follow-up to the Maydan operation," a diplomat said, referring to a recent large-scale Soviet ground and air offen-

sive near the town, which has been used by guerrillas as a staging area for attacks on Kabul.

In Kandahar, Afghanistan's second largest city, situated about 290 miles southwest of Kabul, the diplomat said that Islamic rebels had gained control of several parts of the city, including the main market area.

Piece of Indian Jet Recovered

CORK, Ireland — The first major piece of wreckage from the Air India jumbo jet that crashed June 23 off Ireland, killing all 329 people aboard, was raised Wednesday from a depth of 6,700 feet (2,000 meters).

OIL & MONEY IN THE EIGHTIES.

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OCTOBER 24

KEYNOTE ADDRESS:

— Professor Dr. Subroto, Minister of Mines and Energy, Indonesia.

COMPLETION FOR MARKET SHARE:

— Moderator: Herman T. Franssen, Former Chief Economist, International Energy Agency, Paris.
— H.F. Kepling, Chairman and Chief Executive Officer, The Kepling Companies, Houston.
— Alvaro Parra, Managing Director, Petroleos de Venezuela (U.K.) S.A., London.
— Douglas Wade, Senior Energy Analyst, Shell International Petroleum Company Ltd., London.

THE IMPLICATIONS OF OPEC PRODUCT IMPORTS AND DOWNSTREAM STRATEGIES ON THE OIL MARKETS:

— Nader H. Sultan, President, Kuwait Petroleum International Ltd., London.

HOW TWO MAJOR OIL COMPANIES ARE SURVIVING IN A COMPETITIVE ENVIRONMENT:

— Allen E. Murray, President, Mobil Corporation, New York.

— Arve Johnsen, President, Statoil, Stavanger.

PRODUCERS AND REFINERS STRATEGIES IN AN ERA OF GROWING COMPETITION:

— John R. Hall, Chairman and Chief Executive Officer, Ashland Oil Incorporated, Ashland, Kentucky.

— Ego Malinivita, General Manager, Neste Oy, Helsinki.

— Nicola Mongelli, Assistant to the Executive Vice President, Ente Nazionale Idrocarburi, Rome.

— Saud O. Ounallah, Manager, Supply Coordination, Petromin Participation, Doha, Qatar.

OCTOBER 25

NEW OUTLOOKS FOR UNITED STATES' ENERGY POLICY:

— The Honorable John S. Herrington, United States' Energy Secretary.

NORTH SEA OIL: SEED-CORN OF TOMORROW'S PROSPERITY:

— John Moore, M.P., Financial Secretary to the Treasury, United Kingdom.

THE EFFECT OF FLUCTUATING OIL PRICES ON THE BANKING SYSTEMS, SHARE VALUES, INSTITUTIONAL INVESTORS AND WORLD BANK LOANS:

— Robert B. Weaver, Senior Vice President and Global Petroleum Executive, The Chase Manhattan Bank, N.A., N.Y.

— Peter Gignoux, Senior Vice President, Shearson Lehman Brothers Ltd., London.

— Robert L. Franklin, Founder and President, Lawrence Energy Associates Incorporated, Boston.

— Ian M. Hume, Assistant Director, Energy Department, The World Bank, Washington, D.C.

MEGAMERGER TRENDS AND THE FUTURE OF THE OIL INDUSTRY:

— Robert F. Greenhill, Managing Director, Morgan Stanley & Co. Incorporated, New York.

NON-CONVENTIONAL OIL SALES:

— Nicholas G. Voile, Oil Consultant, London, The Hague.

— Charles L. Day, Managing Director, L.M. Fischel & Co. Ltd., London.

— Dieter Kempfermann, Managing Director, Union Rheinische Braunkohlen Kraftstoff A.G.

— Rosemary McFadden, President, N.Y. Mercantile Exchange.

CLOSING PANEL: DISCUSSION OF CURRENT ENERGY ISSUES:

— Paul H. Frankel, President, Petroleum Economics Ltd.

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POWDER KEG — A fireman trying to save a structure near Ventura, California as another burns beside him. Wildfires have destroyed 30 homes and burnt 70,000

acres in southern California since Monday. About 1,500 firefighters were deployed to fight the flames, which resulted from high temperatures and erratic winds.

U.S. Legislators Debate Balanced-Budget Plan

WASHINGTON — Forty-eight House members and nine senators on Wednesday began what are expected to be contentious negotiations over a plan to mandate a balanced federal budget.

Meanwhile, efforts by a House panel to put together a tax reform package appeared to have stalled Tuesday.

The plan for a balanced budget was approved by the Senate last week and has been approved in principle, but not in detail, by the House. The unusually large number of conferees will include many of the most powerful figures in both chambers, a reflection of the radical changes the proposal would make in fiscal policy.

Under the proposal, fixed targets would be set for deficit reductions through fiscal 1991, and the president would be required to impose proportional cuts in spending to meet the targets if Congress fell short.

Proposed modifications from House Democrats are expected to include allowing greater spending flexibility during recessions, limiting presidential discretion in making cuts, and requiring more cutbacks before next year's elections, when Republicans are expected to be hard-pressed to retain control of the Senate.

The House Ways and Means Committee agreed Tuesday to allow a new loophole in a proposed tax overhaul plan. Under the exception, taxpayers who did not itemize deductions would be allowed to continue to write off charitable contributions that exceeded \$100.

The panel then postponed work on its tax overhaul plan for at least a week, and several congressmen said prospects for overall House approval were dimming.

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Mayor Assails Aides' Role in MOVE Crisis

Goode Says He Was Misinformed in Showdown With Philadelphia Radicals

By Lindsey Gruson
New York Times Service
PHILADELPHIA — Mayor W. Wilson Goode has said for the first time that his subordinates misled, misinformed and disobeyed him in the city's confrontation with the radical group MOVE.

Testifying Tuesday for the second day before a panel he appointed to investigate the confrontation, Mr. Goode said he was mistaken to rely on subordinates in the crisis, which ended with the destruction of a neighborhood on May 13.

"Knowing what I know now, I certainly would be more of a hands-on kind of person," said Mr. Goode, who campaigned on his experience as a problem-solver and as an efficient manager. "I certainly would pose more specific type of questions."

Immediately after the siege, in which the police bombed the MOVE house, the mayor repeatedly accepted "full responsibility" for the city's actions.

Mr. Goode said he did not take an active part in planning the assault until a few minutes after 6 P.M. on May 13, about 13 hours after the siege of the MOVE house began and about 30 minutes after the police dropped a bomb on it, starting a fire.

"I gave my first order of the day: 'Put the fire out,'" he said.

"I went through very deep emotions at that time," Mr. Goode added. "I cried because I knew at that point that lives would be lost and I knew that homes would be de-

stroyed and I knew, that despite all of our good intentions, we had on our hands an absolute disaster."

The fire destroyed 61 row houses in the middle-class neighborhood, leaving 250 people homeless, and killed 11 people in the MOVE house, including four children.

The mayor said he thought that the police commissioner, Gregory J. Sambor, had violated his order to fight the fire. Mr. Sambor has said he ordered firefighters to take cover because shooting was continuing from inside the house and he did not want to endanger their lives.

Mr. Goode appointed the 11-member commission after his administration was criticized for its handling of the crisis. He charged it with investigating and reporting on "what happened, how it happened and why it happened." The questioning of the mayor is considered critical in establishing the credibility of the panel's inquiry, which has been likened by the city's police association to "the palace guard investigating the king."

Under questioning by commission members, Mr. Goode said he thought he had managed the crisis well with the information he had at the time. But he said he realized in retrospect that his subordinates had not given him enough data to make proper decisions. Mr. Goode said he was first asked for permission to use the bomb on the MOVE house 17 minutes before it was dropped from a helicopter. He granted the permission.



W. Wilson Goode

The mayor said he was not told and did not ask for details of the planned assault and did not know that the use of explosives was part of the original attack plan. He also said at least two direct orders had been disobeyed.

Mr. Goode said he assumed in the confrontation that the city managing director at the time, Leo A. Brooks, would tell him "if there was anything unusual happening." But Mr. Brooks did not tell him the assault was failing or that the police had changed plans, Mr. Goode said.

"I think the mayor has to rely on his experts," said Mr. Goode, who watched the beginning of the confrontation on television in his home, 36 blocks north of the MOVE house. He added that as a

layman he did not think he should assume direct command even though he could hear what "sounded like a war zone out there — a lot of firing."

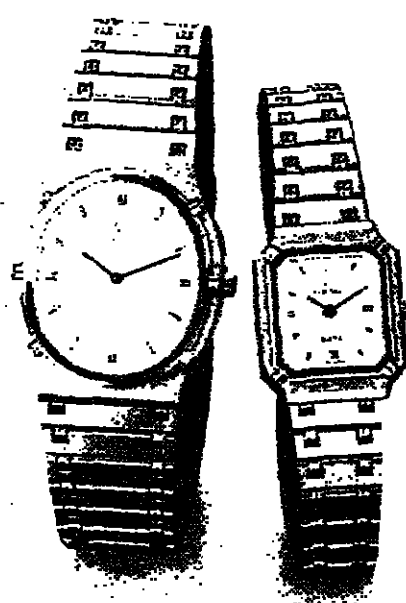
Mr. Goode also said that Mr. Sambor had violated his order not to involve police officers in the assault who might hold what the mayor called a "grudge" from participating in a confrontation with the radical group at another MOVE house in 1978. Several officers involved in that siege participated in the assault this year.

In the 1978 confrontation, a police officer was killed and four officers and four firefighters were injured, some seriously. Nine members of MOVE were convicted of third-degree murder in the slaying and sentenced to long prison terms.

Three years later, other members of the radical group began moving into the house on Osage Avenue and harassing their neighbors in an attempt to pressure city officials to negotiate the release of imprisoned members. They had set up loudspeakers, over which they broadcast diatribes, using profanities and threatening the lives of the mayor and President Ronald Reagan.

At least one survivor of the May confrontation, a 13-year-old boy, has said that the police fired at MOVE members trying to escape the burning house. That has led the district attorney to investigate whether there was a conspiracy by the police to kill members of the radical group.

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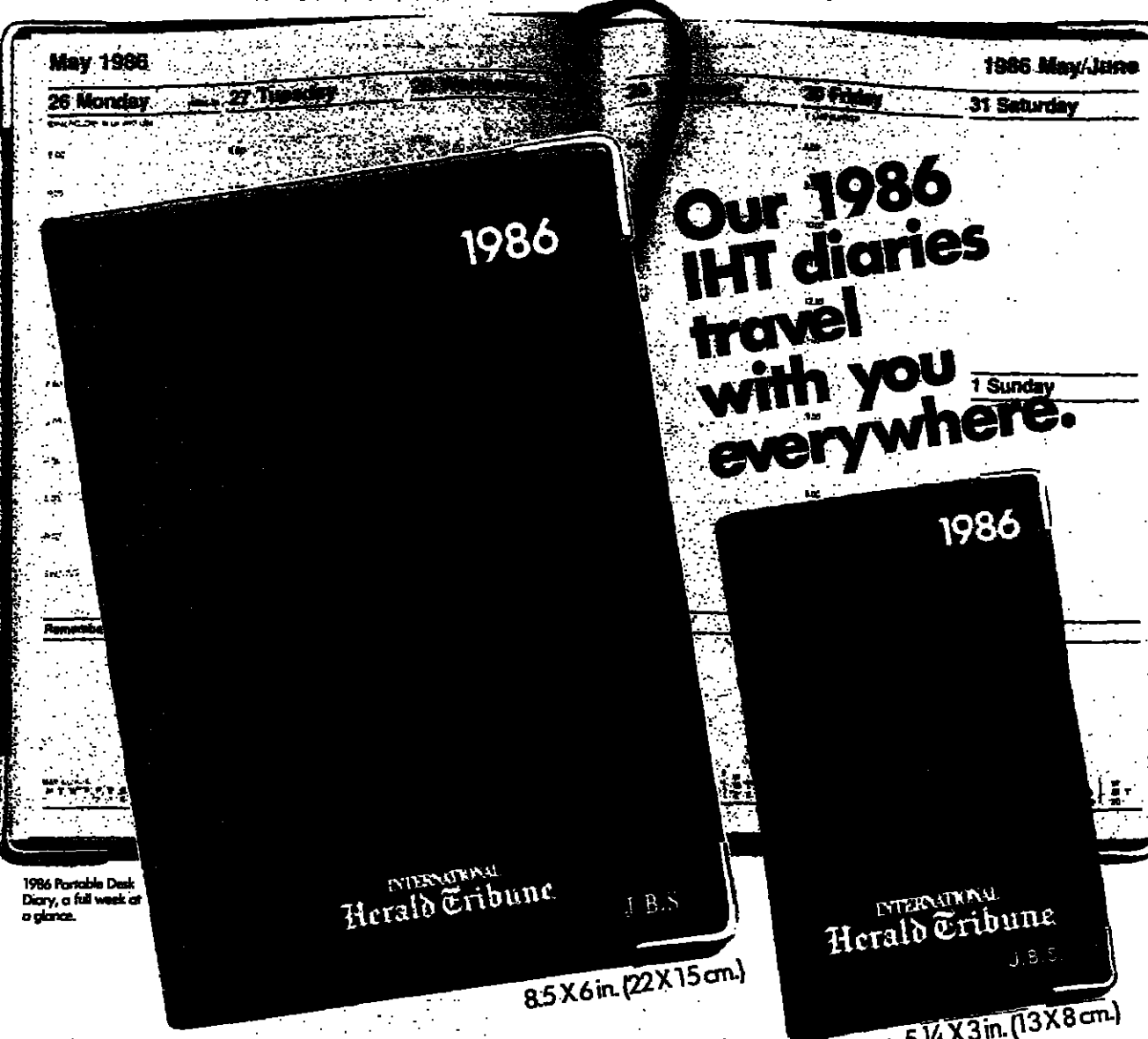
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Pyongyang Book Praising Kim's Son May Provide a Clue on Succession

The Associated Press
NEW YORK — The announcement of an English-language biography of the son of Kim Il Sung may provide a clue to a forthcoming change of command in North Korea, analysts say.
An advertisement in The New York Times described a two-volume biography of Kim Jong Il, 42, calling him a "great hero" and a "great leader." Until now, only Kim Il Sung, 72, who has ruled the Communist half of the Korean peninsula for 40 years, has been described as the "great leader."
"It appears that Kim Il Sung is trying to inflate the image of his son as his successor," Donald Zagoria, of Hunter College in New York, said Tuesday.
The advertisement, which appeared last week, declared that "Korea has given birth to one more great hero: Great leader, Kim Jong Il, the book you have been waiting for, is now on sale." It did not say where the book was on sale, and North Korean diplomats at the United Nations mission could not say where a copy could be obtained.
Sorinsha, the book's Japanese publisher, said 6,000 copies were printed for an organization of Koreans living in Japan, which apparently intends to sell them by mail.
"This book would put a lot of Americans to sleep," said Mr. Zagoria, a specialist in North Korea, who ordered his copy direct from Pyongyang.

U.S. Debates Resuming Aid to Angolan Guerrillas

By David B. Ottaway

Washington Post Service

WASHINGTON — The Reagan administration is in the midst of a policy review on whether to resume U.S. military aid to the non-Communist guerrillas fighting Angola's Marxist government, according to congressional and intelligence sources.
The review has touched off an interagency debate that pits the administration's global strategists, intent upon showing U.S. resolve against the Soviet military role in Angola, against "realists," who fear U.S. aid to the guerrillas will end U.S. efforts to negotiate a peaceful settlement to the dispute over South-West Africa.
The territory, also known as Namibia, is controlled by South Africa in defiance of United Nations resolutions for its independence.

The debate is taking place as the administration prepares for the Nov. 19-20 summit meeting between Ronald Reagan and Mikhail S. Gorbachev. A number of policymakers are arguing that now is the time for Washington to send a strong message to Moscow about the U.S. resolve not only to help anti-Communist guerrillas forces in Angola but elsewhere in the world.

They also are arguing that Mr. Gorbachev is behind recent offensives by Soviet-allied governments in Afghanistan, Nicaragua and Ethiopia against anti-Communist guerrillas in those countries and that the United States must respond to bolster its position going into the summit meeting.

Opponents of such a policy say an open U.S. alignment with Mr. Savimbi's organization will inevitably draw Washington into a closer

alliance with white-ruled South Africa and undermine the administration's efforts to pressure Pretoria to reform its apartheid system. South Africa is presently the main supplier of arms and the conduit for other outside military aid to UNITA.

At least two meetings chaired by the National Security Council have been held. A Special National Intelligence Estimate, an in-depth study by the various branches of the intelligence community, is under way to determine the Soviet role, intentions and prospects in Angola, according to intelligence and congressional sources.

An issue is whether the United States should provide either military or humanitarian aid to the National Union for the Total Independence of Angola, or UNITA, led by Jonas Savimbi.

The guerrillas, fighting in southern Angola, have been under heavy pressure from the Soviet-supplied and Cuban-aided forces of the Marxist government. A subsidiary question is whether this aid should be through covert or overt U.S. channels.

Sources said this month that both the CIA and Pentagon seemed to favor covert military aid like that to the rebels in Afghanistan.

Also being studied is the possible imposition of a trade embargo, affecting either U.S. exports to Angola, the importation of Angolan oil,



Jonas Savimbi

or both, a step being urged on the administration by conservative Republican groups like the Conservative Caucus and the American Security Council.
The interagency review is being carried out under the auspices of the National Security Council. The Central Intelligence Agency, the Pentagon and the NSC staff strongly support military aid, while the State Department is said to be just as vehemently opposing any shift from the current U.S. policy of no assistance at all.
"We still don't think providing arms is the way to do it," said a State Department spokesman, adding, "We think negotiations is the way out."
He was referring to U.S. efforts to resolve through negotiations the twin problems of the withdrawal of Cuban troops from Angola and independence for Namibia. There are now said to be as many as 35,000 Cuban troops in Angola, up 5,000 from last year.
An administration decision to ask Congress for overt assistance is likely to touch off another bitter debate there similar to the one over U.S. aid to anti-Communist forces, known as the "contras," in Nicaragua.
In 1976 Congress banned aid to Mr. Savimbi's organization after it was discovered that the CIA was secretly funneling more than \$30 million in military and other assistance to UNITA, which was then locked in a three-way civil war ultimately won by the Soviet-backed Popular Movement for the Liberation of Angola. That amendment was repealed by Congress in July.
Supporters of a renewed American involvement on the side of UNITA say there may be less congressional opposition this time because of Soviet and Cuban involvement in Angola. U.S. intelligence sources estimate Angola has received about \$1 billion in arms from the Soviet Union since January 1984.
State Department efforts to negotiate a solution to the Namibia dispute, or a withdrawal of Cuban troops from Angola, have been unsuccessful.
Representative Claude Pepper, a Democrat of Florida and chairman of the House Rules Committee, introduced a bill this month authorizing the U.S. government to provide up to \$27 million in humanitarian aid to UNITA, and Senator Steve Symms, a Republican of Idaho, is "seriously thinking" about sponsoring a similar bill in the Senate, according to an aide.
"We're waiting for word from the White House," an aide to Mr. Pepper said. "We feel there will be significant developments in a matter of days."
Jeremiah K. Chitunda, UNITA's foreign affairs secretary, said in an

interview that the organization's top priority was anti-tank and anti-aircraft weapons to counter the Angolan government's jet fighters, helicopter gunships and tanks recently supplied by the Soviet Union.
He said \$50 million in military aid would be more useful than \$100 million in humanitarian aid.

Peres in U.S. Amid Fading Hopes for Peace Talks

By David K. Shipler

New York Times Service

WASHINGTON — Prime Minister Shimon Peres of Israel arrived Wednesday in Washington amid doubts that peace talks would begin anytime soon among the Israelis, Jordanians and Palestinians.

According to Middle East experts, the obstacles remain about as they were before the recent round of terrorism and reprisal that included the hijacking of the Italian cruise ship, the Achille Lauro.

The atmosphere created here when the four hijackers murdered an American aboard the ship has worked against efforts by the Palestine Liberation Organization to gain acceptability in American eyes.

In the short run at least, this seems likely to lend support to Israel's desire to exclude the PLO from talks.

"I am quite content that this happened before negotiations started," Mr. Peres said Saturday in an interview. "It makes everything much more clear. The only conclusion is that Arafat has not changed. Everyone was talking to us about PLO moderation, moderation. We started to think, 'Maybe,

U.K. Says PLO Talks Still Possible

Reuters

LONDON — A British Foreign Office minister met Wednesday with King Hussein of Jordan as officials indicated Britain was still open to a Jordanian-led initiative that would include the Palestine Liberation Organization in Middle East peace talks.

A Foreign Office spokesman said Britain's position on the initiative was unchanged and that a meeting that included PLO representatives could take place under the "right conditions."

Britain said it canceled a meeting Monday with a joint Jordanian-PLO delegation after one of the two PLO representatives rejected the conditions by refusing to accept part of an agreed statement that specifically recognized Israel's right to exist.

Mr. Peres seems prepared to accommodate Hussein on the proposal for an international conference. The Israeli prime minister reportedly intends to suggest to President Ronald Reagan that a conference be called. It would include the Soviet Union and other permanent members of the United Nations Security Council, the Jordanians and Palestinians from the West Bank and Gaza, but not the PLO.

One difficulty in starting negotiations has been a relative lack of vigorous, high-level effort, on the

part of the United States, according to Middle East specialists.

Most of the work on the issue has been handled by Richard W. Murphy, assistant secretary of state for the Near East and South Asia, who is at too low a level, according to one of his predecessors, Harold H. Saunders, now at the American Enterprise Institute.

"I think we ought to play a more active role at a higher political level," said Mr. Saunders, who served in the Carter administration. "With all due respect for Richard Murphy, unless you give it some pretty high political backing, you can't do very much."

Kashid Khalidi, an assistant professor of political science at Columbia University with close contacts in the PLO, said Mr. Arafat was approved last summer from his associates for endorsing coexistence with Israel after a meeting between Mr. Murphy and the Jordanian-Palestinian delegation.

Such a meeting could take place only if it would lead to direct negotiations, an American official said. But Palestinians believe the United States has reneged on a verbal commitment, Mr. Khalidi said, and this has led to bitterness and an upsurge in terrorism.

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New Conservative Journal Aims To Alter U.S. Foreign Policy

By Sidney Blumenthal

WASHINGTON — The first issue of *The National Interest*, a magazine produced by an influential group of neoconservatives, reflects an attempt to produce a fervently ideological foreign policy. The neoconservatives, who are "neo" by virtue of being former liberals, believe that their writings helped prepare the groundwork for the 1980 election victory of President Ronald Reagan. According to the publication's co-editor, Owen Harries, *The National Interest* will help instruct a benighted administration that has "a conspicuous void" at its center.

Prizewinner Takes Aim at U.S. Deficit

United Press International

CAMBRIDGE, Massachusetts — Franco Modigliani, who was awarded the 1985 Nobel Memorial Prize in Economic Science, has described the Reagan administration's handling of the federal deficit as "disastrous."

The deficit "offsets savings by people and leaves less money for investment," said Dr. Modigliani, a professor at the Massachusetts Institute of Technology. He delivered his remarks Tuesday at a news conference after learning that he had won the award.

He predicted that the deficit, which was estimated at about \$210 billion for the 1985 fiscal year, would "be costly to the younger generation" and recommended that President Ronald Reagan raise taxes and cut military spending.

"The government deficit is a disastrous policy," he said.

[Dr. Modigliani's comments drew a sharp retort from Mr. Reagan's chief economist, Beryl W. Sprinkel, *The Associated Press* reported from Washington. "I'm sorry to say that, even though he happens to have a Nobel prize, he happens to be wrong on that point," said Mr. Sprinkel, chairman of the president's Council of Economic Advisers.

"There are people in this world who want bigger government," he said. "They have a perfect right to believe in larger government. I don't happen to be one. Neither does the president."

Dr. Modigliani, an Italian native who became a naturalized U.S. citizen in 1946, was awarded the prize for his "pioneering analyses of saving and financial markets."

The Royal Swedish Academy of Sciences praised him for his study of household saving habits, calling it an ideal tool for analyzing pension plans.

Dr. Modigliani said he hoped his award would help focus attention on the federal deficit, adding: "I think now maybe, I will speak with a louder voice."

He said that his 30 years of research on savings contradicted a previous assumption that only the wealthy put money aside. Instead, he said, he found that everyone tries to save extra income for major expenditures and for retirement.

Dr. Modigliani and his wife, Serena, were honored with a champagne toast by his colleagues, including Paul A. Samuelson, who won the economics prize in 1970.

He said he learned he had won the award when he received a telephone call early Tuesday morning. "To be awakened at 7 A.M. by the secretary of the academy is the best alarm clock I've had in a long time," Dr. Modigliani said.

U.S. Aide Quoted On Vietnam POWs

Los Angeles Times Service

WASHINGTON — Robert C. McFarlane, the White House national security adviser, told businessmen that he believes that some of the 2,500 Americans still listed as missing in action in Indochina are alive and in Vietnamese hands, according to a former Republican congressman.

John LeBoutillier of New York, who served on a House of Representatives task force on prisoners of war from 1981 to 1983, said that Mr. McFarlane also said that the administration had failed to re-organize an intelligence network in Vietnam to help verify numerous alleged sightings of POWs.

Mr. LeBoutillier said he recorded and later transcribed Mr. McFarlane's comments, made Oct. 9 at a gathering of business executives and political consultants that was sponsored by the columnist Rowland Evans and Robert Novak.

"war of ideology" to create what he calls a "New Republican Party." Mr. Kristol's credentials are considerable. He is the intellectual tutor to Representative Jack F. Kemp, a New York Republican viewed as a potential presidential

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candidate in 1988. Mr. Kristol also has been indispensable to the creation of the supply-side economics movement through his influence with conservative foundations, his editorship of *The Public Interest* magazine, and his columns for *The Wall Street Journal*.

"If there's going to be a new Republican Party," Mr. Kristol said, "then it will need a foreign policy to match." He said the function of *The National Interest* was "to come up with principles and ideas."

While "the basic conflict of our times—that between the U.S.S.R. and the United States—is ideological," he wrote, the prevailing U.S. ideology is "naïve and utopian," tragically inadequate in the world struggle.

He defines that ideology as "liberal internationalism," which was articulated by President Woodrow Wilson and is based on the notions of self-determination and international law.

Mr. Kristol writes that liberal internationalism is a "myth" that was shattered by the Vietnam War. According to him, the war provoked three reactions.

First, he wrote, liberal internationalism was transformed into a self-loathing "isolationism" that stressed human rights and "American subordination to international organizations," as reflected in the Carter administration.

Then, there was a revival of "old-fashioned, nationalist isolationism," the dominant outlook of the Defense Department and other key parts of the Reagan administration.

Finally, a "nationalist-unilateralist" tendency has appeared, Mr. Kristol said. It is characterized by disdain for the North Atlantic Treaty Organization alliance with grateful Europeans and by an eagerness to go it alone.

"This new conservatism," he wrote, "is self-consciously ideological," especially when it comes to "the basic conflict" with the Russians. Mr. Kristol said the United States "should aim to win" that conflict "instead of pursuing a defensive policy that sees stalemate as the goal."

Mr. Kristol has assembled an impressive force for his war of ideology. *The National Interest's* board of directors includes prominent Republicans such as Henry A. Kissinger, the former secretary of

state; Martin S. Feldstein, former chairman of the Council of Economic Advisers; and Jeanne J. Kirkpatrick, the former U.S. representative to the United Nations. The board also boasts well-known figures associated with the Democratic Party, including Samuel P. Huntington, a former National Security Council staff member; and Charles Krauthammer, a former speechwriter for Walter F. Mondale and a senior editor of the *New Republic* magazine.

Over a period of decades, the neoconservatives have moved across the political spectrum from left to right. At every juncture, Mr. Kristol says, they have been propelled by a feeling of disillusionment.

Initially, they were disillusioned with the dream of Soviet Russia. Then they were disillusioned with liberalism. "A neoconservative," said Mr. Kristol in a well-known formulation, "is a liberal suggested by reality." Now the neoconservatives believe they have been nudged by Mr. Reagan.

As they see it, Mr. Reagan's foreign policy has produced a series of dismaying events. Although the president has denounced the Soviet Union as an "evil empire," he ended sanctions against Poland, lifted the Soviet grain embargo, disavowed withdrawal from Lebanon, and did business with Shiite Moslems who took hostages.

Those episodes may be a prelude, in the neoconservative view, to the greatest betrayal of all: a debilitating arms control agreement with the Soviet Union, the moral equivalent of appeasement. That possibility fills them with desperate urgency.

"Virtually any politician whose career is in its last years," said Mr. Harries, "is going to be extraordinarily tempted to play it for history."

He contends that despite Mr. Reagan's "general attitudes and instincts," he is held captive by the "old foreign policy establishment," including the Council on Foreign Relations, the Carnegie Endowment for International Peace, Foreign Affairs and Foreign Policy magazines and the State Department.

Mr. Harries said the president has failed to arm himself with people who would provide "countervailing advice" and that none of the neoconservatives "has been ideally placed."

Perhaps from a magazine, Mr. Harries reasoned, the neoconservatives can "fill this conceptual void."

Mr. Harries is an Englishman turned Australian who was the foreign policy adviser to Malcolm Fraser, the former Australian



Clockwise, from top, are Irving Kristol, Jeanne J. Kirkpatrick, Henry A. Kissinger and Martin S. Feldstein.



prime minister. He first came to the attention of American neoconservatives when he denounced the United Nations Educational, Scientific and Cultural Organization while serving as Australia's UNESCO representative and supported the U.S. withdrawal from the agency.

His co-editor is Robert W. Tucker, a professor at Johns Hopkins

University who calls himself "a genuine conservative."

Mr. Tucker fell into the neoconservative orbit when an article that he wrote suggesting military seizure of the Gulf was rejected by *Foreign Affairs*. He offered the piece to *Commentary*, which published it in January 1975. Since then, *Commentary* has published many other contributions from Mr. Tucker.

Reagan Sees Space Shield As a 'Moral' Obligation

By Bernard Weinraub

New York Times Service

MILWAUKEE — President Ronald Reagan has declared that the administration views a U.S. space shield against nuclear weapons as a moral obligation that would improve the prospects for an arms agreement with the Soviet Union.

"This program is an historic turning point," Mr. Reagan told an enthusiastic Republican audience Tuesday in Boise, Idaho, referring to his space arms program known as the Strategic Defense Initiative.

"We will not bargain this research and testing program away," he said, adding:

"For the first time, energy and resources are being put to use in an attempt to find new technology that is aimed at saving lives. If we are successful, it will improve the opportunity for arms reduction because missiles, no longer the ultimate weapon they are today, will be more negotiable."

Mr. Reagan's comments, on a daylong swing to raise money for Republican Senate incumbents in Idaho and Wisconsin, were some of his most pointed so far in defending the program.

Addressing Republican fundraising rallies in Boise, during the day and in Milwaukee Tuesday night, Mr. Reagan referred to the space effort as "moral."

The Soviet leader, Mikhail S. Gorbachev, has criticized the American space program as a destabilizing factor and indicated that major reductions in nuclear arsenals were unlikely unless the United States scrapped the program.

Some members of Congress and military analysts have said that the development of a space shield could increase the chance of nuclear war.

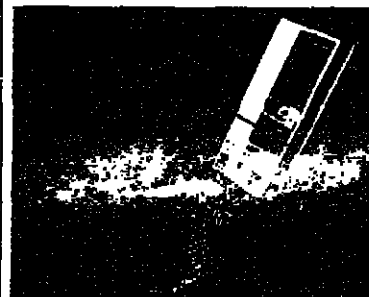
NATO Support Urged

Delegates to a NATO parliamentary assembly have voted overwhelmingly in support of a proposal that allows further research in Mr. Reagan's space program, *United Press International* reported from San Francisco.

The delegates to the annual North Atlantic Assembly voted, 91-12, Tuesday in favor of the resolution.

The resolution urged members of the North Atlantic Treaty Organization to support the project and encouraged "agreement between the Soviet Union and the United States on the technical definitions of the forms of research permissible under terms of the ABM treaty."

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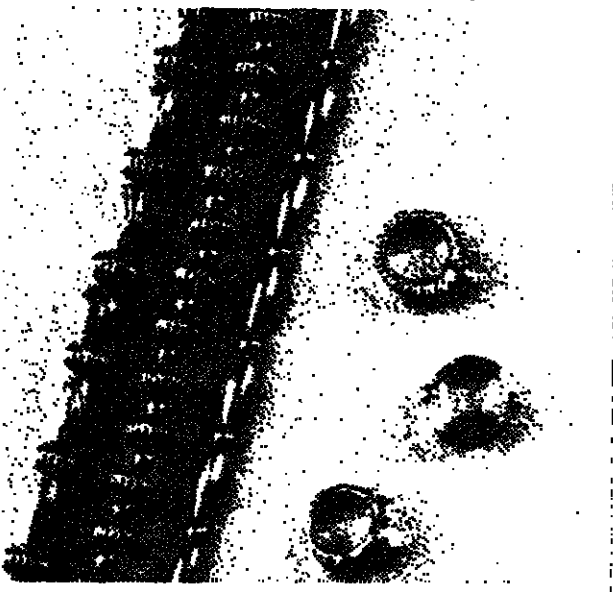
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U.S. Servicemen Told to Hide Identity Overseas

By Richard Halloran

New York Times Service

WASHINGTON — The U.S. armed forces have instructed military personnel to conceal their identities as much as possible when traveling abroad in areas of high risk to protect them from terrorists.

The Marine Corps, for instance, has advised marines to obtain civilian passports, hide military identification cards, cover tattoos, wear nondescript clothes and to take other "prudent, common-sense actions."

Those instructions were sent out from Marine Corps headquarters last month after the murder of a U.S. Navy diver aboard the *Trans World Airlines* plane hijacked to Beirut in June and the killing of four Marine embassy guards in El Salvador in July.

Navy officers said the navy had sent out a similar message insisting that navy personnel travel on U.S. military aircraft as much as possible. It said that tourist passports would be used unless forbidden by the nation to be visited. Navy personnel were also instructed to hide their identities.

A spokesman for the air force said that service had warned airmen to take similar precautions.

The army sent its message to all 780,000 of its soldiers, a spokesman said, but he declined to make a copy available even though it was unclassified. A spokesman said it followed the same format as the messages to the other services.

Since the bombing of a Marine Corps barracks in Lebanon two years ago, there has been a gradual tightening of security at U.S. military bases around the world, according to officers here and outside Washington.

Concrete barriers have been placed across roads leading to buildings that might be targets of terrorist attack. At some bases, quick reaction forces to repel an attack have been strengthened.

But the officers acknowledged that attention to better security has been spotty. Visitors to military installations around Washington, for instance, can still walk into some buildings unchecked.

The Marine Corps message advised that "all international travelers should consider purchasing tourist passports at their own expense." When planning trips, "arrangements should be made without noting military rank." Baggage should not identify the owner as a military person.

Documents identifying the traveler's association with the U.S. government should be placed in checked baggage, the message said. "Distinctive military items" such

as high-gloss shoes, flight watches and military rings should not be worn, the message said, nor should cowboy hats and belt buckles that make Americans stand out.

"Tattoos can identify a person as a marine," the message said, "but bandages or long-sleeve shirts will provide initial concealment."

Marines were advised, after boarding a plane, to "Look for a hiding place within arm's reach to conceal items. Prepare a plan to dispose of or explain documents carried but not sanitized."

Austrian Police Seize Heroin

The Associated Press

VIENNA — Austrian police said Wednesday they have seized 60.5 kilograms (133 pounds) of heroin and arrested 21 people in what is believed to be one of the biggest seizures of the drug in Europe.

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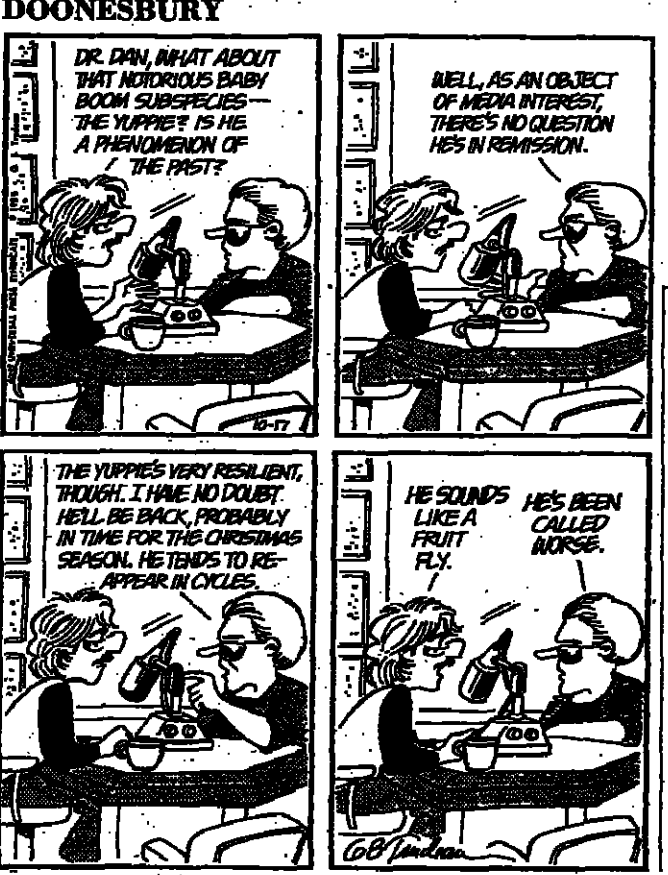
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Herald Tribune

Published With The New York Times and The Washington Post

Driving Down the Dollar

According to Murphy's Law, if governments can get a thing wrong, they will. The finance ministers of America, West Germany, Japan, France and Britain evince modest satisfaction after the first three weeks of their attempt to force the dollar down? By selling dollars on the market and threatening to sell more, they have achieved an American devaluation of about 7 percent, and of 10 percent against the yen.

Many, however, believe the dollar needs to fall about 20 percent to make U.S. goods competitive and stanch the flood of imports. To have tried to do this overnight could have created panic. With investors scrambling to sell the dollar and America's public stocking up on foreign goods to beat the price rise, an excessive fall in the dollar might have begun, strangling even the present modest growth of the world economy: the horror-scenario that some observers have long feared.

If the experiment in dollar devaluation is to do more good than harm, its progress must be gradual but rather continuous. The game has only just begun and there is all to play for. Optimists believe that when investors are unsure whether they want to stock up on the dollar any further, governments can nudge them out of it gently by selling moderate amounts of their own holdings: a controlled cheapening of the dollar will, hopefully but not certainly, reduce the U.S. clamor for trade protection.

But many believe the financial field is too bumpy and that governments are playing with one hand strapped behind their backs. Can governments with limited means exert sufficient leverage on a market where some \$150 billion change hands in a day? More basically, can concerted currency intervention—the name of the game the five governments have started—ever hope to succeed

when the constellation of their individual budgetary and monetary policies is so fundamentally ill-situated as at present? America needs to borrow massively abroad because of overspending at home. Other countries have surplus income which they export because their own expenditure is weak. So long as this dichotomy persists, can the dollar fall for long?

The borrowing needs of the U.S. government are not going to fall, because action to control the budget deficit is deficient. Similarly, the needs of America's private sector will not fall without a new recession. So how can U.S. interest rates come down and stop sucking in the funds from abroad which keep the dollar high? Only by an unwise, inflationary relaxation of American monetary policy: a resort to the printing press. This would have to be achieved over the dead body of Fed chairman Paul Volcker.

With government deficits shrinking in Europe and Japan but not in America, concerted currency intervention risks being thwarted by unconcerned budget policies. Unfortunately, the Europeans and the Japanese have made it as clear as the Americans that little can be hoped for here. Japan, under pressure, is making it slightly cheaper for its citizens to borrow to build houses and buy consumer goods, but since borrowing is anyway unpopular among the Japanese the impact of this may be small.

So long as basic economic policies diverge so greatly between major capitalist countries, progressive cheapening of the dollar must depend on the readiness of the markets to be hypnotized—to display what Coleridge, discussing romantic poetry, called a willing suspension of disbelief. The financial community usually eschews romanticism.

INTERNATIONAL HERALD TRIBUNE

A U.S. Dilemma in Manila

President Ronald Reagan, who sent one message to the Philippines a while back by canceling a trip of his own, has just sent another by dispatching a heavy-weight confidante, Paul LaRocca. The senator's evident mission is to communicate U.S. anxiety over the way President Ferdinand E. Marcos is running his country into the ground and, beyond that, to measure whether Mr. Marcos, after 20 years in power, has the physical health and the political capacity to arrest the rot.

This, when you think of it, is a sorrowful turn. The United States, in the course of making the Philippines a colony, also made it a democracy, and thus never felt guilty afterward. On the contrary, it felt proud, and it has often been insensitive to the resentments stirred among many Filipinos by American paternalism. A pattern developed in which successive administrations largely deferred to Mr. Marcos on grounds that he ran a democracy, however imperfect, and offered the United States the immensely important strategic benefits of the Clark and Subic military bases. Only now, when the democratic aspect has failed to produce a solid political process and when indefinite access to the bases can no longer be taken for granted, is Washington being compelled to step up concern.

The question is whether the sickness is so far

advanced in the Philippines—the poor development, the corruption and insurgency—that the very effort to anticipate a Communist takeover risks aggravating the disease. The models of Iran and Nicaragua are much on the American mind; in those places a belated and uncertain American effort to steer a friendly authoritarian regime toward reform was overwhelmed by revolution with a bitter anti-American flavor. American conservatives, who made much of Jimmy Carter's frustrations in the two places, have been sensitive to the perils in the Philippines. Usable models of transition in these circumstances are in short supply.

Some Filipino democrats, accustomed to dependency, believe that it is up to the United States to rig the various available sticks and carrots to ensure a transition to a more stable democratic order without Mr. Marcos and his hangers-on. But the Reagan administration, while aware that the Marcos circle's grip on power hinders such a transition, hesitates to take the responsibility for easing the Filipino leadership out. The administration is attentive to the dilemma. It will have to be exceptionally skillful as well. No one, least of all Mr. Marcos, should be in the slightest doubt that Mr. Reagan is determined to see democracy and the American connection endure.

—THE WASHINGTON POST

Reform, Not Decline, of Communism Benefits West

By Ronald Tiersky

AMHERST, Massachusetts — What will be at issue when Ronald Reagan and Mikhail Gorbachev sit down in Geneva next month? Not just the specific deals that will or will not be made and later kept or not kept.

The meeting will take the measure of the two leaders' societies as well as of their international power and prestige. Just as President Reagan represents the liberal democracies, so General Secretary Gorbachev speaks for Communism.

The fact is that despite Mr. Gorbachev's vigor, humor and relative youth, the system he represents is failing around the world.

This makes for a fundamental weakness in his negotiating position in Geneva, but it is also a good reason why his proposal for radical cuts in nuclear arsenals should be tested seriously.

Look around the Communist world. In several states and parties, great reforms are under way. In China, Hungary and the most important West European Communist Party (in Italy), we are beginning to glimpse the possibility of de-Communization from within. In other situations—Poland, Afghanistan and Vietnam—Communism has produced political or economic disaster. In Eastern Europe as a whole, it is evident what chaos would occur if the Red Army suddenly disappeared.

What remains of the Communist world is held together largely by Soviet military power. But the dangerous decay of the home base is apparent: The Soviet Union today is a model only of how a militarized party can maintain itself in power.

In short, Mr. Gorbachev—however engagingly he smiles and however craftily he negotiates—arrives in Geneva as the head manager of an essentially bad business.

If this is Communism's condition, what should the West want from the summit meeting in Geneva?

First, good agreements on arms control and other important issues, including at least tacit understandings on human rights.

Second, the restoration of a working relationship in which "linkage" between human rights issues and arms control becomes permanent, not by blackmail but because of recognized reciprocity.

Finally, and most difficult for the West, we should look favorably on Soviet reform and Communist political evolution, if only because ultimately it is in the West's interest.

Those Americans who want to defeat the Russians at the negotiating table rather than engage them in effect deny the Kremlin's interest in dealing practically with the United States about things that the United States is wanting to obtain from Moscow. Such people have in the past always taken a kind of perverse pleasure in the discovery that the Soviet Union was negotiating in bad faith.

That would be a grave mistake today. On the contrary, it should be American strategy for the summit meeting and afterward to test Mr. Gorbachev's intentions.



Timely Advice for Comrade Gorbachev

By James Reston

WASHINGTON — Here follows the text of a letter from the Soviet Embassy in Washington to General Secretary Mikhail Gorbachev.

As is well known, the U.S. government is preparing for your meeting with President Reagan at Geneva next month and is doing so with its usual awkward cunning. In an effort to deceive us about its policy and purpose at the summit, it is putting out a series of confusing and contradictory statements, all carried by the captive capitalist press, radio and television.

One day, this wickedly calculated campaign, it has Caspar Weinberger from the Pentagon questioning the integrity of our past commitments to peace and nuclear arms control, and wondering whether any new agreement at Geneva would have any meaning.

The next day, George Shultz at the State Department is suggesting that while our generous offers are "deeply flawed" there could be "real progress" at the summit if only you would agree to his policies. It is difficult to interpret the Voice of America; there are so many voices speaking at once.

Accordingly, much will depend on Ronald Reagan's choice of advisers at the summit, but we must be careful. Mr. Weinberger sounds tough but is really rather elegant and meek. He likes to collect weapons but not to use them except at places like Grenada, whereas Mr. Shultz, "the man of reason," prefers fewer weapons but might use them.

There are many reasons that we in the embassy believe you should approach the summit with confidence. Our alliance is strong. When we tell our comrades in Eastern Europe what to do, they do it. When Mr. Reagan asks his allies for a little help, they do it as they please. Witness what is called "collective security," a form of common action in which Italy, Israel, Egypt and even our former comrades in Yugoslavia all acted on their own in the latest Palestinian incidents.

On the economic front, the Reagan administration now has the largest budget deficit and trade deficit in

the history of the nation, whereas we balance our budget every year and are still rich enough to buy grain from the impoverished American farmers.

It has been noted here that you are now in the process of producing a new economic plan to guide the Soviet Union into the 21st century and are choosing younger men to see it through. This has made a strong impression here, where the Reagan administration is wondering how to get through the next two years with a new team at the Federal Reserve.

Comrade Gorbachev: You have asked for any suggestions about how to negotiate with the Americans at Geneva. We venture to propose the following:

• Take your wife along for the ride. It hadn't occurred to people here until recently that members of the Politburo had wives. And always help her down the steps from the plane. Mr. Reagan is very good at this.

• It's always wise to emphasize peace on Earth and in the stars, as you did in Paris, but unwise to talk of "détente." That is regarded here as a deceptive French word that should never be used in political circles.

• Hold a lot of press conferences, around noon Geneva time just before the evening TV news here. Mr. Reagan hates press conferences, especially if asked for details of anything you've been negotiating.

• If asked about human rights, say you're all for them though they're not on the agenda.

• Say you think these meetings are a great idea, and should be held every summer in the Soviet Union, and every winter in California. That will give the press a chance to live high on their expense accounts and Mr. Reagan a chance to get back to the ranch.

• One other thing: Tell Leonid Zamyatin in the International Information Department not to waste too much propaganda on "star wars" between now and the beginning of November. The world baseball championship is on here now, and nobody will be listening much to either you or Mr. Reagan until it's over.

The New York Times

Strip Poker at the Treasury

In its annual challenge to Congress over the national debt limit, the Treasury Department threatened to take off all its clothes. Unless the Senate quickly raised the limit, the Treasury said darkly, it might stop payment on all government checks. The Senate came around, passing a bill to raise the ceiling past \$2 trillion and supposedly force a balanced budget by 1991. But for thousands of people outside Washington, a U.S. government threat to cut them all off was cruel sport indeed. When she hears that her Social Security check might bounce, the widow living from hand to mouth trembles for a week. The threat unhinges small suppliers as well as defense contractors, bondholders and millions of the struggling poor.

There was no need to stop payments, and the Treasury knew it. There is always some rinky-dink way to scrape up more cash, as it recently did with a rush sale of \$5 billion in short-term notes. What is most disturbing about the charade is that Deputy Secretary Richard Darman, White House spokesman Larry Speakes and Senate Majority Leader Bob Dole would resort to scare tactics.

The callousness did, however, highlight the absurdity of the debt-limit ritual. The ceiling is a formality based on the constitutional provision that empowers Congress to "borrow money on the credit of the United States." The debt ceiling forces Congress from having to approve each separate borrowing.

With deficits coming every year now, battles over increasing the ceiling also come every year. But they are phony battles. Each time, Congress thunders about profligate spending—although Congress itself approved the spending in the first place—and the Treasury wails that it is running out of funds. When the wind dies down, the ceiling is always raised.

There is a better way, already employed by the House. When it adopts the annual budget resolution that frames subsequent appropriations and tax bills, it simultaneously adjusts the debt ceiling. No hassle, no embarrassing votes. The crucial fiscal debate takes place when it should, during preparation of the budget resolution. That is the responsible way. Lumpy yet fearsome threats are not.

—THE NEW YORK TIMES

FROM OUR OCT. 17 PAGES, 75 AND 50 YEARS AGO

1910: Art Dealers Arrested for Fraud
NEW YORK — The stir caused by the recent arrest of Messrs. Benjamin and Henry Duveen, on charges of defrauding the U.S. Government of customs duties, is intensified by the report that the Government has decided to summon many notable millionaires in support of its case. Mr. J.D. Rockefeller, Mr. J.P. Morgan, Mr. George J. Gould and Senator William A. Clark will be among those who will be called to give evidence regarding prices they have paid for the art treasures imported by the Messrs. Duveen. The Collector of the Port of New York said: "The Messrs. Duveen are art importers whom we have been specially watching. Our suspicions were mole a certainty when I was handed an anonymous letter which disclosed evidence that the Consular invoices and the private invoices of the firm on some imports differed by large amounts."

1935: Europe Ships Gold to America
PARIS — The end of gold shipments from Europe to the United States does not appear yet to be in sight. The movement may result in the transfer to the United States of as much as \$6 million of the yellow metal. The set of circumstances at the present time differs vastly from that prevailing in July and August twenty-one years ago. There is no panic in the London market or in our own; there is no blockade of the shipping lanes of the Atlantic; and, Europe and the rest of the world know that they could take out every dollar of property or claims to property they have in America in the form of gold and it would scarcely make a dent in the gold stocks of the country, now approximately \$9.5 billion. The dominating fear is that war, should it come, would mean a renewal of inflation in the currencies of Europe, with a depreciation of their currencies.

Speaking Softly About Racism Won't Make Its Evil Go Away

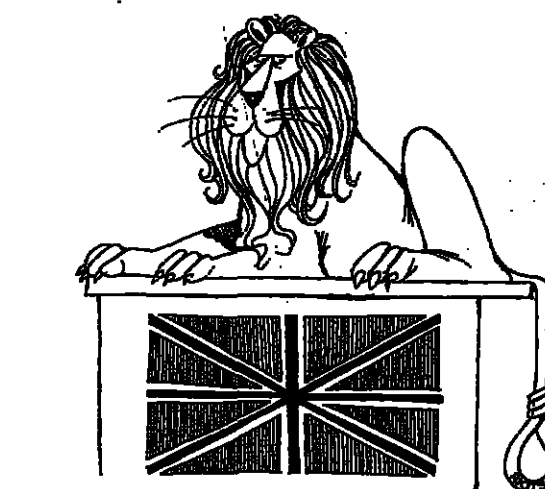
By William Pfaff

PARIS — Enoch Powell, the British politician, said to his countrymen in the 1960s that continued immigration by Caribbean and Asian ex-subjects of the British empire would end in "rivers of blood."

This statement was met with horror and rejection by the right-thinking majority of white society. Mr. Powell was described as a racist because of his argument that Britain should limit immigration to preserve its racial and cultural homogeneity. Now that the blood is flowing in the streets of Britain, it is proper to say to Mr. Powell that he was right.

One is expected to speak softly, if at all, about race. Class is a correct distinction to draw; race is not, in public discourse. It is acceptable to blame the supposed racism of social and economic structures in Britain, or America, as in South Africa, for the black poor's plight. But it is not acceptable to say that those who riot and those who put down the riots, both find their main source of identity and solidarity in the fact that the ones are black and the others, white.

Black solidarity and a common hatred is the message of Louis Farrakhan, the Black Muslim leader in the United States, putting in extravagant and anti-Jewish form a message preached in the past by many other leaders of America's poor blacks. The Jews, who for years were the most



By De la Torre © in El Espectador (Buenos Aires)

generous friends of American civil rights organizations and movements, now are victims of the Black Muslims' self-identification with Israel's Arab victims and their fantasy of themselves as part of a vast Third World liberation movement.

The American governing class, which until 20 years ago imposed its own system of racial apartheid upon American blacks, or condoned it, at the same time gives its support, enthusiastically or grudgingly, to the quasi-insurrectionary movement of South African blacks against white Afrikaner power. This occurs while

a significant minority of the American black population remains a jobless, skill-less, subproletariat, rotting in violence and drugs amid the landscape of the big-city ghetto.

South Africa is a paradox, the Afrikaners themselves victims of religious persecution in Europe. They became the "white tribe" of southern Africa. Conceivably they would have survived as a white tribe holding their own apart. But they wanted black labor, black lands, black subordination, so they forced black Africans into the social and economic structures they built. They thereby created a large body

of uprooted, urbanized, oppressed and politicized black workers, and a Westernized black intelligentsia which now demands exactly the liberty the Afrikaners earlier had sought from their own persecutors. The whites will not yield, not only because that would mean the end of South Africa as they know it, but because it would also almost certainly send the country into the same descending spiral of political and economic decline and violence: the rest of southern Africa has experienced since the 1950s.

In the 1920s and 1930s, progressive colonial authorities in Africa admitted Western-educated and "evolved" blacks to full citizenship and nominally equal rights with the ruling white population. The rest, the uneducated indigenes, "the natives," remained hunters and farmers in tribal states, under customary law, with the colonial authorities ruling them in a way both exploitative and paternalistic, exacting labor and military service, according markets, an economic structure and order.

It is an unavoidable observation that Americans and Britons are doing much the same thing to their black minorities today. Blacks who conform to the norms and values of white society acquire its privileges; they become integrated members of the ghetto. The difference is that in colonial Africa, tribal society still had

coherence; life within its norms was a meaningful existence in an ancient human tradition. There is little meaning to life in a South Bronx ghetto, or a squalid London housing estate.

We are all legatees of a past in which white men took for granted their right to seize, transport, exploit and enslave blacks, and that blacks were their natural inferiors, a theoretical proposition implying, as de Tocqueville wrote at the time, "a vast limitation, if not a complete abolition, of human liberty."

One understands very well the contemporary desire to deny the force of racial feeling in human affairs; to disarm its malign power by pretending that conflict of the kind we have been seeing in Britain and South Africa, the alienation given voice by Louis Farrakhan, the attitudes and actions of white societies confronted by black insurrection, are to be healed by high-mindedness, money, the ministrations of social workers.

We would like to regard racial feeling as something exceptional, outside the norm of human affairs, incidental to economic or class strains, incidental to the norms of human affairs, for which we can imagine the solutions. It is not. It actually has been the most powerful single force for evil in modern times. We do well to tremble before it. Its power implies not only conflict and persecution but an immense fatalism, as if our bodies themselves have condemned us.

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Retirement, or the Chance to Pursue a Secret Dream?

By Christopher Hollowell

NEW YORK — I have a sad memory of my father after he retired in his mid-60s, still in good health. He spent every morning poring over his newspaper and reading his mail, much of it junk mail. He even examined each coupon before throwing the whole lot away.

Following lunch, he took a long nap. Then he went grocery shopping. He spent hours in the supermarket in the small town where he lived, comparing prices, examining new products, reading the fine print on labels. Every afternoon, he watched television, like a child—staring with dull eyes. In the evenings, he would watch more television, falling asleep by his flickering light. Retirement meant that time had to be endured rather than used. He died five years later.

My father's quiet shrinking from life is unfortunately typical. While efforts are being made to abolish mandatory retirement at age 70, retirement will never be abolished. Whether college professor or construction worker, at a certain point the job becomes just too much. In interviews with retirees and those who study the physical and mental effects of retirement, one emotion predominates—the fear of empty time.

Improved medical care of older people now permits years of relatively healthy life after retirement. What does one do with all the hours, the

weeks and the months? My father-in-law, 77, a medical doctor, is dealing with the problem.

Grandchildren have helped solve his dilemma by leading him to write children's stories, an avocation that he began when his own children were small. His grandchildren are now the heroes and heroines of his writing. His appreciation of the difficulty of writing for children increases whenever he reads a story to a grandchild who does not greet it with instant fascination. An awareness of the emptiness ahead jolts this man into sharpening an old talent.

Most people are not so resourceful. I remember Jesse, a 70-year-old woman whom I met in a senior citizen center in Holyoke, Massachusetts. She was making a figurine by filling a mold with plaster of Paris. She looked bored. I asked her if she had made others. "Lord, yes," she answered with jovial cynicism. "I've made about a dozen of them. I could do it in my sleep."

"Let's face it," she added, "this is fill-up time that someone in some organization somewhere concocted for us old folk to do. I get so bored I sometimes wish I could break a hip because it would be something different."

Given encouragement, Jesse would have made a marvelous teacher, advising people in their working years that if they do not prepare for the hollow days that retirement can bring, boredom quickly follows—boredom, disease and death.

I favor doing away with mandatory retirement, but for many people that will just postpone the vacant stare with which they endure their later years. We have yet to regard retirement as an opportunity—a chance to change jobs, to begin something new, to act on a secret dream. In a few decades, 10 percent of the population will be 75 or older. They must be made aware before they retire that they must retire to something.

At the same time, society must come to terms with the disservice we do to retirees by casting them off. We can learn much from "primitive" cultures, whose people look to their elders for guidance and wisdom. Organizations that enlist the elderly as consultants and teachers should be given much more support. Unless it is understood that retirement can open the door to another life of usefulness, the abolition of enforced retirement at 70 is no more than a Band-Aid.

The writer, the author of the forthcoming book "Growing Old, Staying Young," contributed this column to The New York Times.

LETTER

Cities and 'Star Wars'

In his opinion column, "Star Wars: A Dreadful Paradox" (Oct. 8), Alton Frye is mistaken when he writes that the unfortunate outcome of a strategic defense system would be the increased vulnerability of cities because of the large numbers of warheads that were pointed at them.

The strategic balance reaches its greatest stability when the counterforce capabilities of both the United States and the Soviet Union are reduced to almost nothing and only cities are held hostage. Neither side would have any reason to launch an attack on the other's cities because they would in turn lose their own urban populations.

The real danger of "star wars" lies in the fact that the United States and the Soviet Union will never be certain whether the other side has the ability to concentrate its system on the defense of cities, launch a first strike and protect its population.

TIMOTHY LAKE
Geneva

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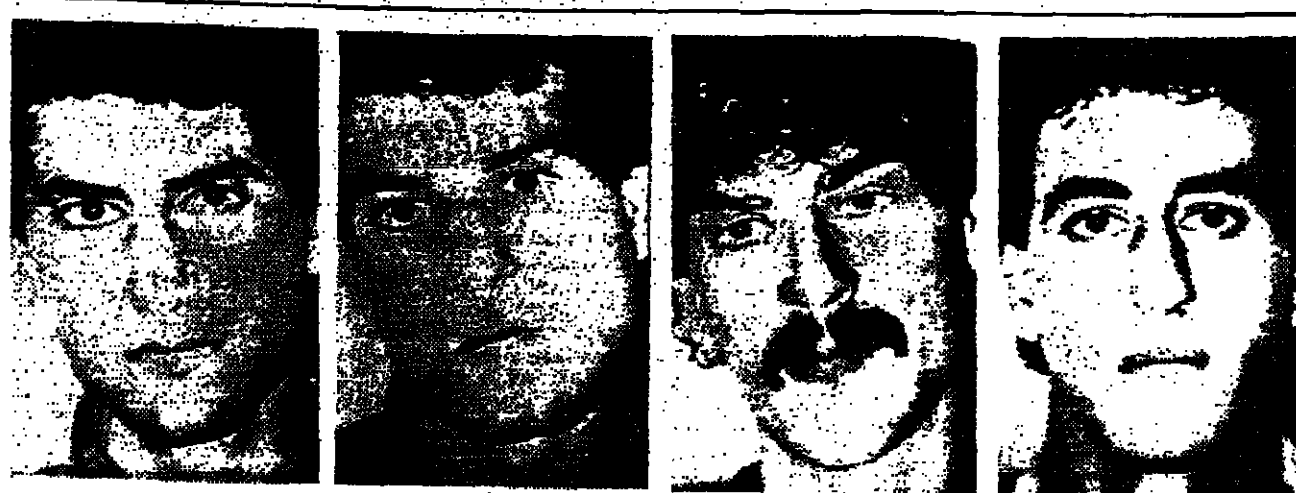
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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France. Tel.: (1) 747-1265. Telex: 612718 (Herald). Cables Herald Paris. ISSN: 0294-8052.

Directeur de la publication: Walter W. Whitney.
Asia Headquarters: 24-34 Hennessy Rd., Hong Kong. Tel.: 225618. Telex: 61170.
Managing Dir. U.K.: Robert R. McCabe, 43 Long Walk, London W22. Tel.: 836-4802. Telex: 363009.
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S.A. au capital de 1.200.000 F. RCS Nanterre B 73201126. Commission Paritaire No. 61337.
U.S. subscription: \$322 yearly. Second-class postage paid at Long Island City, N.Y. 11101.
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The Columbia Broadcasting System in the United States has identified these four men, held in Italy, as being among those accused of hijacking the Italian

cruise ship, the Achille Lauro. They are, from left, Majed Youssef al-Malaki, Abdel Atif Ibrahim Fatayer, Hammad Ali Abdulla, and Hallah Abdulla al-Hassan.

Arafat Is Seen Losing Ground on Both Sides

(Continued from Page 1)

Tel Aviv University, was by turning over Mr. Kinghoffer's body. "The Syrians could have buried the body, and no one would have known the difference."

It is clear, said Ariel Merari, an Israeli expert on terrorism at Tel Aviv University, that the Syrians are "enjoying the fallout from the Achille Lauro incident even more than Israel."

"They did not produce the body because they have suddenly developed a sense of morality," he said. "It just all serves their purposes so well."

"They don't like Arafat," Mr. Merari continued, "and they don't like the way Jordan and Egypt have tried to bring him into a dialogue with the Americans. Delivering the body is a way for the Syrians to drive another nail into Arafat's coffin."

Commentaries in the Syrian press supported this analysis, arguing that the Achille Lauro incident and the British refusal to meet the two PLO representatives only served to expose the futility of the "moderate," U.S.-oriented approach of Mr. Arafat, King Hussein of Jordan and Mr. Mubarak, as opposed to the hard-line, nationalist approach of Syria.

While the Syrians have tried to use the events of the last week to help ruin Mr. Arafat's diplomatic

standing, the Jordanians have viewed the events as a catastrophe. The signal the Jordanians seem to have decided to send the PLO chairman is that if he does not get his house in order and pursue a consistent diplomatic line, he can stop looking to Amman to escort him into the peace process.

The Jordanian signal came in the form of a communiqué issued by a senior official in Amman after Britain's foreign secretary, Sir Geoffrey Howe, announced that he would not be meeting in London with the two PLO representatives because they refused to sign a previously agreed-upon statement renouncing violence and accepting Israel's right to exist.

A spokesman for Mr. Arafat declared that the PLO never had agreed to sign such an explicit statement as a condition for the talks. That view might have been widely accepted had not Jordan issued a statement that supported the British interpretation and discredited the PLO explanation.

Mitterrand Arrives in Rio

The Associated Press

RIO DE JANEIRO — President François Mitterrand of France arrived Wednesday on the third day of an official visit to Brazil.

Lebanese Factions Work On a Draft of Accord

Reuters

BEIRUT — A draft accord calling for gradual abolition of Lebanon's Christian-dominated sectarian power-sharing system appeared Wednesday to give fresh impetus to Syria's drive to end 10 years of fighting between rival Christian and Muslim militias.

Christian, Shiite Muslim and Druze militia representatives agreed Tuesday night on draft proposals for political reforms at talks in Damascus with the Syrian vice president, Abdel Halim Khaddam, as the host, a source close to one of the Muslim militias said Wednesday.

The draft accord will be made public in about a week, after constitutional advisers have reviewed it, the source said. A national congress would then be convened to approve it.

The source said a three-year transitional period would lead to an end to the power-sharing system that has favored the Christian minority.

In the interim, the Christian 65 advantage in the 99-seat parliament would be removed, the source said. Deputies would be appointed until Lebanon was peaceful enough for elections to be held. They would be the first since 1972.

Other reforms envisage a redistribution of the powers of the president and prime minister; changes

in the cabinet system and the creation of a senate, the source said. The army, now largely split along sectarian lines, would be reorganized and rehabilitated, the source added.

President Amin Gemayel, who has been criticized by all three militias, was expected to discuss the draft Friday with President Hafez al-Assad of Syria, official sources said.

After visiting Mr. Gemayel on Tuesday, Lebanon's prime minister, Rashid Karami, said his cabinet would meet Thursday for the first time since Aug. 22.

The agenda will include last week's Syrian Army takeover of the northern port of Tripoli after three weeks of fighting between Muslim fundamentalists and Syrian-backed leftist militias, he said.

The deployment signaled Syrian determination to end militia rule throughout the country.

The Christian Lebanese Forces militia, which strongly opposed Syria's role in Lebanon until Elie Hobeika became its leader in May, recently has begun cooperating closely with Damascus.

Mr. Hobeika is expected to visit Damascus on Monday. Muslim militia sources did not rule out reports from Damascus that he would meet with Lebanon's Shiite leader, Nabih Berri, and the Druze chief, Walid Jumblatt, to seal the draft accord.

West German, Americans Win Prizes in Physics, Chemistry

(Continued from Page 1)

level and see how molecules change their structure under various conditions. Nobel officials said the work of the Americans has been instrumental in the development of hundreds of drugs.

Crystal structure is determined by generating a three-dimensional picture of the positions of the atoms, the announcement of the award said. The picture maps the electron density within the crystal.

X-rays are used to generate the picture, and scientists need to know how much the ray waves are displaced in relation to each other, the award said. The degree of their displacement is affected by electron density, it said.

Professor Hauptman and Professor Karle were said to have developed equation systems related to the limits of such displacement and worked out a procedure for solving their equations.

The Americans will share a cash award of 1.8 million Swedish kronor, the equivalent of about \$225,000. The winners of the Nobel awards receive them Dec. 10 in ceremonies in Oslo and Stockholm.

Professor von Klitzing is a professor at the Max Planck Institute for Solid State Research.

"His discoveries are of great importance for the next generation of electronic components," said Professor Stig Lundqvist, chairman of the Nobel physics committee.

Semiconductors carry electricity to perform complex functions in

modern electronic devices and are essential to computers and communication equipment.

Professor von Klitzing's discovery permits much more precise measurement of electrical resistance, according to Professor Carl Nordling, another member of the Nobel physics jury.

The discovery also makes possible more accurate testing of theories about electronic movements within atoms, he said.

The Hall effect, which was discovered more than 100 years ago, has to do with deflection of electrons in an electrical current passing through a metal strip if a magnetic field is applied.

Under extremely low temperatures and extremely strong magnetic fields, electrons can be forced into "ordered movement," the Nobel announcement said.

By quantizing the movement, Professor von Klitzing brought it into the realm of quantum physics, a 20th-century theory that amounts of energy change in small, discrete quantities.

The Nobel committee said that for the last decade it had been suspected that so-called "Hall conductivity" could change in steps with changes in the magnetic field, producing quantized conductivity.

"It was not expected, however, that the quantization rule would apply with a high accuracy," the announcement said.

Professor von Klitzing's experimental demonstration in 1980 that it did was a "great surprise."

Body Found In Syria Is Klinghoffer

(Continued from Page 1)

States did not know if Mr. Arafat had been involved.

Egypt allowed Mr. Abbas and the four hijackers to leave the country on an Egyptian airliner, but U.S. F-14 jet fighters forced the plane to land in Sicily. Mr. Abbas was permitted by Italy to fly to Yugoslavia, and he has since left there despite U.S. requests for his extradition.

The Justice Department has named Mr. Abbas as a conspirator in the hijacking and hostage-taking.

The Reagan administration is urging Italy to extradite the four Palestinians to the United States so they can be tried for the murder of Mr. Klinghoffer.

Judicial sources in Italy say the pirates have denied killing anyone. (AP, Reuters)

Anti-U.S. Protests in Cairo

Hundreds of university students defied a government ban and demonstrated Wednesday against the United States and Israel, United Press International reported from Cairo.

President Hosni Mubarak met with opposition leaders to discuss relations with the two nations.

Mr. Mubarak's meeting with members of all five opposition parties was his first in two years.

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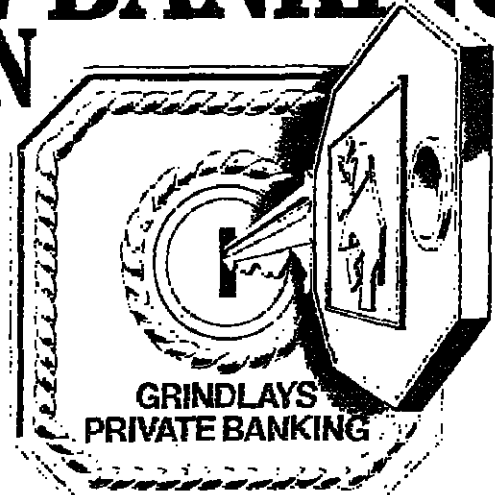
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SCIENCE

IN BRIEF

Folding Lens Used in Cataract Surgery

A new lens that can be folded and inserted into the eye through a tiny cut following cataract surgery is safer than the implant now in use and significantly reduces recovery time, according to Dr. Jerome Levy and Dr. Anthony Piscano of the New York Eye Surgery Center.

The experimental silicone Elastic Lens can be implanted through an incision one-third the size of the cut required for the standard hard lens, the doctors said at the annual meeting of the American Academy of Ophthalmology in San Francisco.

In another development, a specially designed ophthalmoscope at the Yale Eye Center is being used for early detection of glaucoma, a buildup of pressure in the eyeball that can damage the optic nerve. It uses a topographical analyzer and a stereoscopic camera to create and photograph a color-coded topographical map of the eye, and is expected to help detect the disease in its early, symptomless stages, when proper treatment may prevent the loss of sight. (UPI, NYT)

Drug for Open-Heart Surgery Tested

SAN FRANCISCO (UPI) — A new drug may prevent potentially dangerous increases in heart activity during surgery, a team of Emory University researchers reported.

Dr. Lars Newcome said the new drug, esmolol, is a member of the family of drugs called beta blockers, currently used to treat patients with heart disease and high blood pressure.

Dr. Newcome noted that the drugs now in use in coronary artery bypass operations to control increases in heart rate and blood pressure remain active for long periods after the surgery and may produce serious side effects. He said esmolol has a period of activity lasting only a matter of minutes. If undesired side effects should occur with esmolol, an anesthesiologist has only to stop its delivery and wait a few minutes for the complications to vanish.

U. S. Plans Improved Wind Forecasts

WASHINGTON (WP) — The U. S. National Oceanic and Atmospheric Administration is planning a \$12-million network of 30 experimental radar stations that would track winds up to an altitude of 10 miles (16 kilometers) over nine states in central United States.

The network, which is expected to improve the reliability of weather forecasting in an area unusually vulnerable to tornadoes and other fast-forming storms, could eventually be extended to the entire country.

Polymer Tested for Bone Fractures

SALT LAKE CITY (UPI) — Athletes and elderly people may benefit from a new technique for treating broken bones that involves the use of polymer clamps and plates instead of metal devices, researchers report.

Dr. A. U. Daniels, associate professor of orthopedic surgery at the University of Utah Health Sciences Center, said laboratory tests were nearly complete and that he planned to start experiments on animals this winter. He said it would be several years before the new devices could be tried on humans.

The researcher said the polymer clamp or plate is strong and stiff enough to hold a broken bone in place but designed so that it will later be absorbed by the body. The polymer plate has two advantages, he said: more complete healing than with metal plates and screws and the elimination of the second operation needed to remove such devices.

Gonorrhea Strain Needs Costly Drugs

ATLANTA (UPI) — A gonorrhea strain highly resistant to penicillin is becoming entrenched in certain areas of the United States, forcing doctors to switch to far more expensive drugs, federal health officials said.

Dr. Jonathan Zenilman of the national Centers for Disease Control said the resistant strain is encountered more and more frequently by physicians in at least three areas — South Florida, New York City and Los Angeles. "In certain parts of the country, penicillin as the drug of choice is becoming a thing of the past," he said. "There's a potential for that to happen in other areas because of an increase in PPNG."

PPNG is the medical abbreviation for penicillinase-producing *Neisseria gonorrhoeae*, a type of organism that produces an enzyme that destroys the therapeutic effects of penicillin. Since the first case of PPNG was imported into the United States in 1976, transmission has spread to virtually all states and represents more than 1.5 percent of the total cases nationally.

By Malcolm W. Browne

New York Times Service

WITH a blast of exhaust smoke and an ear-splitting howl, a three-ton robot came to life in a workshop at Ohio State University last week.

One of its six elephantine legs, powerful enough to crush an automobile but gentle enough to manipulate a fragile cardboard box, took a few dummy strides in its latest series of tests, practicing the movements that will eventually enable the robot to walk.

The builders of Ohio State's Adaptive Suspension Vehicle, (ASV) which has so far cost \$5 million and nearly two decades of research and development, believe it is almost ready to lumber out of the laboratory.

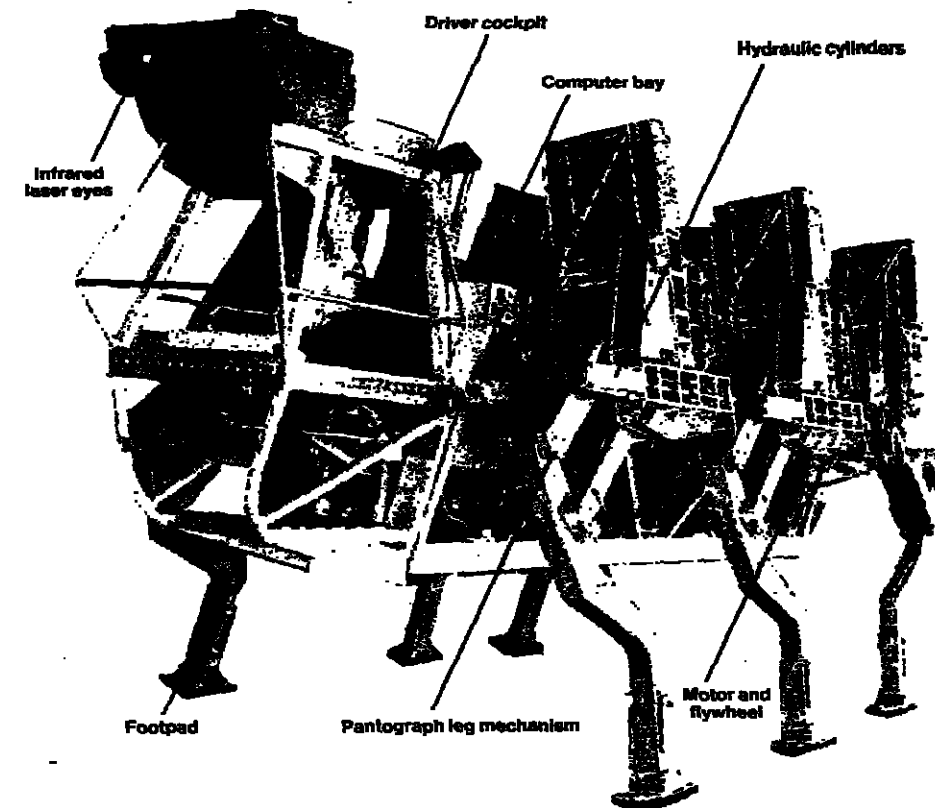
The project began as a research exercise for developing the theory of robotics, and in the early years, financial support came mainly from the National Science Foundation. But because a large walking robot has obvious military potential, the Defense Department has been the main supporter of the project since 1980.

Controlled partly by a battery of computers and partly by a human driver, the robot will walk as well as a dinosaur but with the agility and balance of a crab or insect.

As large as a dinosaur but with the agility and balance of a crab or insect, it will maneuver through forests, bogs and desert sand, up and down steep hills, across ditches up to nine feet (2.7 meters) wide and over obstacles up to seven feet high. Scanning its path with infrared laser "eyes," the 17-foot-long machine will plan each step it takes, looking for footholds, avoiding holes and making the best of whatever terrain it has to cover.

LIKE a bat, the robot will use acoustic echoes to gauge the proximity of neighboring objects. Pressure sensors in its footpads will inform its computer brain of the nature of the ground it is covering, and a gyroscopic balance sensor will serve the same purpose as an animal's vestibular system. The robot is expected to be as sure-footed as a camel, stronger than an elephant and a good deal smarter than the insects on whose mode of locomotion it is partly based.

To the Ohio State professors, Robert B. McGhee and Kenneth J. Waldron, who have devoted much of their careers to the robot and its antecedents, the six-legged walker embodies discoveries that have significantly advanced the fields of robotics, computer control, biology, anatomy and even medicine. Systems developed for use in robot walking machines have found im-



portant applications in prosthetic limbs for human patients.

Nonetheless, the robot may be the precursor of machines so interesting to the U. S. Defense Department that the project is now financed by the Defense Advanced Research Projects Agency.

"The Army has estimated that about 50 percent of the earth's land surface is inaccessible to all conventional vehicles, whether they run on wheels or tracks," Dr. McGhee said in an interview. "That's one of the reasons the armed forces are interested in the ASV — a vehicle that can walk anywhere."

Unlike early experimental walking machines, this one is built for rough field use, carrying its own motor and accessories. Motive force is supplied by a 70-horsepower motorcycle engine whose energy is stored by spinning a 100-pound (45-kilogram) flywheel to a speed of more than 12,000 revolutions per minute. The flywheel, in turn, powers a score of hydraulic actuators that move the various joints of each of the machine's legs. The vehicle's top speed will be only eight miles an hour (13 kilometers an hour).

But it could go where the mildest tank or off-road vehicle would bog down, and it could be adapted to move and fight on its own, without a human driver or crew. Cur-

rent DARPA-financed research at Ohio State and Carnegie-Mellon University, Martin Marietta Aerospace and other institutions seeks to perfect the computer programs and hardware needed to make a vehicle fully "autonomous" — capable of running cross-country or along roads without human aid.

Dr. McGhee envisions many non-military uses for walkers. In arctic tundra, where tractor treads cause irreparable damage to local plant life, mechanical legs would provide the least harmful form of traction, he said. Walkers could also replace less maneuverable robots working in such hazardous environments as the interior of nuclear reactors.

Improvements in the computer technology of the Soviet Union have led to important advances in Soviet walking machines, Dr. McGhee said, and walkers are also being built in Japan, Switzerland and Liechtenstein. An eight-legged, 70-ton monster manufactured by the Komatsu Corporation in Japan has replaced 50 human divers in the construction of an underwater foundation for a seaway, he said. Other Japanese companies are considering the development of walking machines as recreational off-road vehicles.

None of these machines, how-

er, has the intelligence or lifelike system of locomotion of ASV, nor do they technologies draw from so many different fields of scientific endeavor.

Defense Department money allocated to the walking-machine project has financed non-military research along the way. Under a DARPA subcontract let by Ohio State University, for instance, physiologists and biologists at the University of Alberta, Canada, have studied the coordination of leg movements in locusts. Because insects were regarded as especially good walkers, scientists hoped to apply their studies of insect physiology to the design of mechanical walkers.

As it turned out, some of nature's models proved less efficient than had expected. The locust, for example, is apparently unable to benefit from experience. If one of a locust's forelegs encounters empty space where the insect expects to find solid ground, the leg flails around until it finds a suitable foothold. One might assume that when another of the insect's legs arrived at the same spot, experience would guide it immediately to a safe foothold. But such is not the case, the leg gropes anew for a foothold, its owner's feeble brain apparently having learned nothing from the previous search.

Leg-movement coordination in many insects is also surprisingly poor, according to Vincent J. Volinn, one of the engineers working on the Ohio robot. "One of an insect's legs will often collide with another of its legs," he said. "If we were to let that happen on the ASV walker, the machine would quickly demolish itself." A six-legged animal or machine, said Dr. McGhee, is theoretically capable of several million different gaits, each of which differs from the others in the sequence and timing of leg movements. But careful mathematical analysis of all these gaits has shown that only a half-dozen of them combine efficient locomotion with optimal stability, he said.

The selection of efficient gaits for the ASV and the coordination of the machine's hundred or so control variables have created problems of bewildering complexity for the 16 powerful Intel computers the vehicle carries. But most of the solutions are either in hand or in sight, the builders believe.

"Two decades ago," Dr. McGhee said, "I realized that a walking machine under autonomous electronic control would require a very high order of computing power. At the time, no computer existed that could do the job. But today the goal is within reach. As we develop artificial intelligence—the so-called fifth generation of computer capability—

progress will be still more dramatic."

But with many more challenges to meet (and currently backed by an annual budget of \$2 million), the group foresees a long and fruitful future for their project. Laboratory development of the ASV should be completed a year from now, after which the machine will undergo field development.

At first, a human driver will control the higher functions of the machine. The driver's cockpit contains a stick similar in form to the control stick used in airplanes. By moving it forward or backward, the driver controls forward and reverse speed. The driver can override the computer's control of individual leg movements, but since these operations are so complex and difficult, he would rarely choose to take them on.

In future years, the group intends to field a version of the walker so improved that it would perform tasks automatically, with no driver aboard. The radar-like data sent to on-board computers by the ASV's scanning infra-red laser beam will enable the machine not only to steer and maneuver itself, but to carry out a programmed sequence of actions, its developers say.

Nicotine May Be Bad For Cosmetic Surgery

United Press International

CHICAGO — Dr. Christopher Forrest, research fellow at the University of Toronto, said this week that evidence is mounting that nicotine in cigarette smoke can damage skin flaps often used in reconstructive and cosmetic surgery. Skin flaps are created to cover holes or lesions exposed as result of an accident or surgical removal of a tumor, and are also used in cosmetic procedures such as face lifts or breast reconstruction.

Test for Inherited Kidney Disease Is Found

The Associated Press

SALT LAKE CITY — Researchers have developed a test that could lead to new treatments for an inherited kidney disease that is fatal unless treated by dialysis, a procedure that costs the U. S. government \$150 million a year.

The illness, polycystic kidney disease, afflicts 400,000 people in the United States alone. A fraction of those cases, the most serious ones, account for roughly one in 10

of the Americans who undergo kidney dialysis, an expensive procedure in which periodic treatments with a blood-purifying machine substitute for ineffective kidneys.

The discovery, reported at a meeting of the American Society of Human Genetics, should soon allow development of a test that would diagnose the disease before symptoms appear, which usually happens in middle age, one of the researchers, Kay Davies of the Uni-

versity of Oxford in England, said. A report of the discovery, which may also help find the cause of the disease, appeared in *Nature*, a British scientific journal.

There is now no treatment for the ailment, which is marked by the development of cysts in the kidney and other organs and which ultimately leads to kidney failure. The disease is fatal, killing half of its victims by the time they are 51, unless they undergo dialysis.

NYSE Most Actives						Dow Jones Averages						NYSE Index					AMEX Diaries					NASDAQ Index					AMEX Most Actives						
Vol.	High	Low	Last	Chg.		Open	High	Low	Last	Chg.		High	Low	Close	Chg.		Class	Prev.				Class	Chg.	Week	Year		Vol.	High	Low	Last	Chg.		
BestCo	3500	46	41 1/2	41 1/2	+2 1/4	121.92	121.92	121.92	121.92	+1.74		Composite	108.48	107.58	108.48	+0.08	380	201				Composite	38.48	+1.21	278.28	307.87		BAT 1	1400	3 1/2	3 1/2	3 1/2	+ 1/8
AmTran	2500	21 1/2	21 1/2	21 1/2	+ 1/4	121.92	121.92	121.92	121.92	+1.74		Industrials	124.94	124.79	124.94	+0.15	260	150				Industrials	289.10	+1.26	278.28	307.87		AmTran	2500	1 1/2	1 1/2	1 1/2	+ 1/8
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THURSDAY, OCTOBER 17, 1985

WALL STREET WATCH

High-Tech Stocks Retain Interest Among Investors

By PHILIP H. WIGGINS
New York Times Service

NEW YORK — The stocks of several high-technology companies, particularly those with specialized products, continue to stir enthusiasm among members of the investment community.

Although the overall performance of high-tech equities has been lackluster in the past few years and some are selling well below their highs, analysts say that many long- and short-term opportunities continue to exist.

John Westergaard, editor of Equity Research Associates and a specialist in emerging growth stocks, said several attractive market plays appeared at the three-day seminar he conducted in New York last week. The seminar brought together the managements of more than 30 emerging, high-tech concerns.

Mr. Westergaard said that among the companies of particular interest were ECI Telecom Ltd., which he said was the world's leader in circuit multiplication technology — or the ability to process additional telephone conversations and data over telephone lines that were originally designed for one conversation or transmission.

"We expect a major contract to be awarded by the end of this month involving the new trans-Atlantic cable system being built by AT&T together with the British and the French," Mr. Westergaard said.

Mr. Westergaard also favors Getech, a leading supplier of on-line lottery systems. He said the company was in the running for the California lottery system, which is expected to be decided by the end of the year.

One high-tech favorite of Roger Redmond, technology analyst at Piper, Jaffray & Hopwood Inc. of Minneapolis, is Energy Conversion Devices, the leader in synthesizing amorphous materials, or disordered patterns of molecules.

"Energy Conversion is in the process of evolving from a pure research organization into accelerated commercialization," Mr. Redmond said. "To finance this evolution, he added, the company has licensed parts of its technology and has entered into joint ventures with such large corporations as Sony, American National Resources, Matsushita Electric, Hitachi, Nippon Telegraph & Telephone, Nippon Steel, Sharp, and Canon.

"This security should only be considered by the most aggressive investors," Mr. Redmond added. He said that, for the fiscal year ended June 30, 1986, Energy Conversion should reach \$3 million to \$4 million on revenues of about \$45 million, and that for the fiscal year 1987 it should earn \$1 million to \$2 million, on revenues of about \$70 million. For the latest fiscal year, Energy Conversion lost \$14.8 million on revenues of \$30.1 million.

Nancy Meyer, senior health-care analyst at Ladenburg, Thalmann & Co., believes new technology will continue to be one of the driving forces in the rapidly changing health-care system.

"Endo-Lase is one of the country's leading suppliers of lasers for use in urology, gastroenterology, and pulmonary and general surgery," Mrs. Meyer said. "The market for lasers in medicine is estimated to reach more than \$1 billion by the early 1990s. Since the market has achieved only a low level of penetration, there should be rapid growth in the near future."

Mrs. Meyer said Endo-Lase's 1985 earnings would reach 50 cents a share on sales of \$22 million, up from last year's 34 cents a share on sales of \$11.5 million. For 1986, she said, the company could earn 70 cents a share on sales of \$45 million.

Michael J. Howe, first vice president at Bunker & Singer, is optimistic on two high-tech issues: Ask Computer and International Mobile Machines.

Ask Computer has had some problems of weakening demand in the past six months.

"The company manufactures products that help customers to (Continued on Page 14, Col. 4.)

Beatrice Buyout Proposed

Offer Expected At \$45 a Share

Compiled by Our Staff From Dispatches

CHICAGO — The New York investment banking firm of Kohlberg, Kravis and Roberts said Wednesday it plans to offer \$45 a share to buy out Beatrice Cos. Inc.

The announcement followed Beatrice's earlier statement that a representative of Kohlberg, Kravis and the investment house Drexel Burnham had asked to meet with Beatrice to propose a leveraged buyout of the national food and consumer-products company.

Kohlberg said it will make a written proposal to Beatrice's board of directors proposing the buyout at \$45 a share in cash and securities. Further details were not disclosed.

With an estimated 92 million shares outstanding, the transaction would be worth about \$4.14 billion.

Trading in Beatrice stock was halted shortly before noon on the New York Stock Exchange after it advanced \$2.50 to \$44.75 a share.

In its statement, Beatrice said no price or other details of the proposed transaction were disclosed in the original notice. Beatrice also said it had advised the investment bank that any proposal should be put in writing.

Beatrice has been the subject of widespread rumors on Wall Street concerning a merger or leveraged buyout for the past two weeks, and trading in its stock has been exceptionally heavy.

In a leveraged buyout, a company's management typically teams up with an investment banker to buy the company's outstanding shares and take it private, with the transaction financed by borrowed funds using future income or liquidation proceeds as collateral.

Beatrice has sold four of its units recently to reduce a heavy debt load.

Earlier this month, it said its current debt was 45 percent of capitalization and that it intended to cut it to about 30 percent by the end of its fiscal year in February, in part through divestitures.

Beatrice's debt soared to \$2.3 billion following its acquisition of F&M Inc. last year for \$2.7 billion. Among the four properties it has put on the block is its Avis Inc. rental unit.

(AP, UPI)

SCM Takeover Suit
Hanson Trust PLC of London, pursuing its takeover bid for the SCM Corp., sued Merrill Lynch Capital Markets in the U.S. District Court in New York Tuesday to prevent a group headed by Merrill Lynch from exercising rights to buy two SCM businesses, The New York Times reported.

Merrill Lynch has argued that it has the right under an agreement with SCM to buy the two businesses once Hanson owns a third of SCM. Hanson owns 3.96-million shares, 39.5 percent of SCM's shares outstanding but only 32.1 percent of all its stock. Hanson thus maintained it does not own enough to activate the rights.

Hanson also asked the court to order Merrill Lynch to refund \$9 million to SCM that it collected from the Manufacturers Hanover Trust Company, as escrow agent for SCM, under an agreement providing for the payment once Hanson owned a third of SCM.

By Warren Getler
International Herald Tribune

NEW YORK — United Technologies Corp. and Messerschmitt-Bölkow-Blom GmbH, the West German aerospace company, are discussing a joint venture in automotive electronics, sources at United Technologies said Wednesday.

The venture, to be based in West Germany, would be the third recent linking of the automotive and high-technology industries, after General Motors Co.'s plans to take over Hughes Aircraft Co. and the merger agreement between the West German automaker Daimler-Benz AG and electronic group AEG AG.

Talks have been going on for several months but are still at a preliminary stage. But sources suggested that a letter of intent could be signed by the end of the year. Officials at both companies declined to disclose details of the discussions.

Sources close to the talks said the proposed venture with MBB would seek to incorporate United Technologies' existing automotive-electronics operations in West Germany. United Technologies is a major parts supplier to the U.S. auto industry.

One of those operations is Telefunken Electronic, in which United Technologies and AEG each own a 49-percent stake. Now that Daimler is set to buy a majority of AEG, sources said, it is questionable whether Daimler is willing to sell its stake in Telefunken Electronic to the proposed joint venture.

Industry sources, who asked not to be identified, said other obstacles remain, including recent setbacks at a United Technologies subsidiary, Mostek, a semiconductor manufacturer, that would supply the joint venture.

United Technologies is developing a cabling system known as "multiplexing," which is aimed at reducing the number of wires needed to connect the growing number of instruments and devices in new car models. Such a system would reduce auto weight and the space required for wiring.

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Made-in-U.S.A. Tag Is Hard to Find

Textile Imports Continue to Flood Market

New York Times Service

NEW YORK — When it comes to waving the flag for American-made goods, Sam M. Walton, who runs more than 800 Wal-Mart discount stores, is as patriotic as they come. But as a recent apparel industry dinner in his honor Mr. Walton said that even he had to compromise and sell clothes that were made in the United States with imported materials.

The only thing homemade, in fact, about the flannel shirt that Mr. Walton held up as an example was its stitching. That is the case with many more garments than most consumers realize. They range from silk blouses to linen suits to woolen socks and sweaters.

In addition, many of the textile companies have also imported the machinery on which they produce their goods.

As congressional debate over limiting textile imports goes on and as Bob Hope appears on television commercials to convince consumers to buy only Made-in-U.S.A. goods, there continues to be a flood of imported raw materials used in clothing. Some of these materials would be cut under the proposed tariff bill.

According to the Agriculture Department, 37 percent of the cotton and 62 percent of the wool used by U.S. manufacturers are imported.

The Commerce Department reports that imports of yarn and fabric used by all types of manufacturers, including those who make carpets and curtains, totaled nearly 3.8 billion square yards (3.04 billion square meters) in 1984. In comparison, imports of finished garments and other apparel amounted to 4.7 billion square yards.

"It is a myth that all imports are garments," said Margaret A. Gilliam, a textile analyst at First Boston Corp.

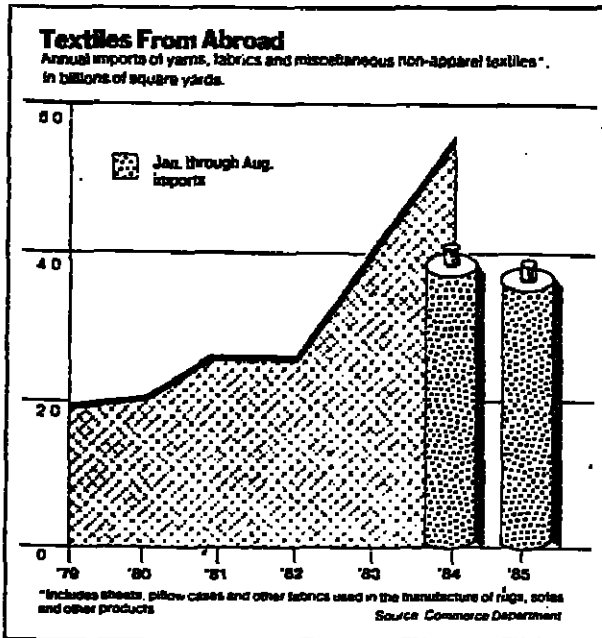
There are many reasons that textile mills, apparel manufacturers and converters — who buy gray cloth abroad and dye or print the material according to customer specification — import a substantial amount of fiber, yarn and fabric.

For some companies the imports are cheaper than similar American raw materials. They say it is the only way to compete with imported apparel that now controls 43 percent of the U.S. market.

The after-tax earnings of the United States textile industry fell to \$445 million, or 1.7 percent of sales, in the first half of this year, from \$921 million, or 3.6 percent of sales, in the first half of 1984, and an estimated 250 textile factories have closed in the past five years.

The companies that import textiles buy for defensive reasons to improve bottom-line figures, said Carlos F. Moore, executive vice president of the American Textile Manufacturers Institute, the industry trade association.

Other industry officials say companies shop abroad because



*Includes sheets, pillow cases and other fabrics used in the manufacture of rugs, robes and other products. Source: Commerce Department

The New York Times

sometimes the fabrics that designers prefer can be found nowhere else. "Companies initially may have gone abroad to save money," said Mr. Gilliam of First Boston. "But now they go to the Far East to get certain fabrics. Domestic mills don't come out with innovative fabrics."

Burlington Industries, Springs Industries and Cannon Mills Co. import specialized goods such as flannel sheets because they say it does not pay to make the capital investment necessary to produce such goods.

In further playing down the significance of importing raw materials, textile industry officials say that the purchase of such materials abroad is neither new nor confined to the textile industry. The practice is widespread, for example, in the auto and computer industries.

In addition to the fabrics bought abroad, much of the \$1.9 billion of machinery that textile companies have acquired to modernize their plants has come from overseas. "The only available labor-saving machinery is

(Continued on Page 14, Col. 5)

Industry Output In U.S. Declined 0.1% for Month

Compiled by Our Staff From Dispatches

WASHINGTON — Industrial production in the United States fell 0.1 percent in September — slowed by a 2.1-percent drop in automotive products — to keep the increase for 12 months at a sluggish 1.1 percent, the Federal Reserve reported Wednesday.

The Fed revised its production growth figures for July and August, showing a 0.6-percent increase for August instead of a 0.3-percent increase and a 0.2-percent drop for July instead of no change.

For September, the Fed reported declines in consumer goods and business equipment and gains in the production of defense and space equipment, construction supplies and some materials.

The overall output of consumer goods fell 0.3 percent in September, reflecting a reduction in durable goods such as automobiles and home appliances. Nondurable goods, such as clothing and food, were unchanged from August.

Production of automotive products fell 2.1 percent after a sharp 6.3-percent gain in August and a 3.9-percent advance in July. Autos were assembled at an annual rate of 8.1 million units for September, compared with an 8.3-percent rate in August.

On Tuesday, automobile makers reported a sharp drop in domestic car sales for early October. The expiration of special sales incentives by the major U.S. automakers at the end of September led to the decline.

Consumer goods for the home, including appliances, also declined in September, leaving production at a level more than 5 percent below a year ago.

Business equipment production declined 0.2 percent for September, while construction supplies rose 0.2 percent, the seventh consecutive monthly increase.

Raw materials production was unchanged for September.

The weakness this year in industrial production has been attributed to a flood of imports. The foreign competition, aided by the strength of the dollar, has led to growing demands in Congress for trade barriers.

The Reagan administration has sought to derail demands for protection with its own program to force the country's trading partners to buy more U.S. exports.

The slowdown in car sales was announced Tuesday as the Commerce Department reported that business inventories fell 0.4 percent in August, the biggest drop in more than two years.

(UPI, AP)

Canadian Banks In Agreement About Merger

Reuters

MONTREAL — National Bank of Canada and Mercantile Bank of Canada said Wednesday that an agreement in principle had been reached to merge through a share exchange.

Mercantile common shares would be exchanged for 2 million common shares plus 2 million second preferred shares of the merged bank, National Bank and Mercantile said.

A National Bank official said the merger would most likely take effect in December.

The merged banks would operate under the name National Bank of Canada, the banks said.

Mercantile Bank, Canada's eighth largest and owned 24 percent by Citibank N.A., announced Monday that it would seek a merger with another bank after confirming that it had experienced funding problems related to the recent failure of two banks in western Canada.

National Bank is Canada's sixth largest.

Strike End Leaves Renault Head in Powerful Role

By Axel Krause
International Herald Tribune

PARIS — Chairman Georges Besse has emerged with his authority greatly enhanced to pursue changes at Renault following the end of a weeklong strike at two plants, company and industry sources said Wednesday.

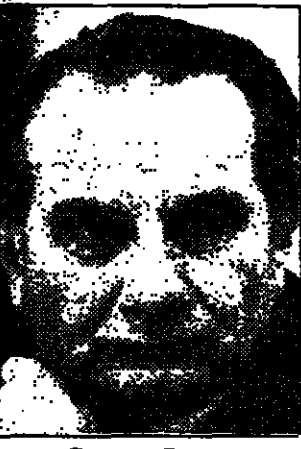
Mr. Besse came out on top because he showed firmness and correctly assessed the mood of French labor," said a senior executive of the Peugeot SA automobile group, which is privately owned. Renault is a state-owned automaker.

Mr. Besse refused to negotiate with union leaders who had sought to open companywide talks on increasing wages and reinstating cuts announced last month in Renault's bonus plan.

An industrialist by training and previous experience with a fondness for secrecy, Mr. Besse refrained from making any public statements on the dispute.

Most important, according to a senior Renault executive, he had concluded in advance that the vast majority of Renault workers opposed strike action.

"He was secretive, tough and determined to keep the talks local-



Georges Besse

ized, and in the end, it worked," the executive said. He and other Renault executives emphasized that less than 1,000 workers were actually on strike and blocking operations in plants that employed a total of about 16,800 people.

The main loser in the strike actions, which began last Tuesday at three Renault plants, was the Communist-led General Confederation of Labor.

The CGT has attacked Mr. Besse's plans, including layoffs, to restore Renault to profitability. The CGT also has been seeking to embarrass the government of Prime Minister Laurent Fabius, which is facing parliamentary elections on March 16.

The Communist Party's political bureau decided at a meeting Oct. 10 to start a tough labor action against Renault, the daily newspaper Le Monde reported in its editions dated Oct. 17.

Also on Oct. 10, the Socialist-leaning French Confederation of Democratic Labor, the CFDT, had officially declined to join the CGT. Renault workers "are not ready for a test of strength with the Renault management," a CFDT official said.

Since last Thursday, several thousand workers at the three plants have signed petitions in favor of returning to work.

Indeed, many industry executives and observers said they regarded the end of the strike Tuesday as a major turning point in French management-labor relations, reflecting what one executive described as "a sensible, pragmatic

approach among Renault workers, showing a new understanding of the problems facing business."

The CGT organized the strikes initially at Le Mans, Choisy-le-Roi and at the Billancourt plant near Paris. Union leaders repeatedly urged workers at other Renault plants to join in the stoppage, but they did not.

By Wednesday, only Billancourt remained occupied by workers, following resumption of normal operations at the other two plants, company spokesmen said.

Negotiations with union leaders to end the strike at Billancourt continued Wednesday. The company expects it to be over by the end of the week.

Settlement of the dispute also reflected a shift in French worker attitudes that go beyond Renault.

What surfaced in the dispute was a new, pragmatic and nonideological approach to management relations, industry and union leaders said.

Struggles against management have become much more complex, "and will require greater objectivity and some pulling back," a CGT worker at Renault told the daily newspaper Liberation.

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Currency Rates

Cross Rates	Oct. 16	Oct. 15
American dollar	1.0000	1.0000
British pound	1.6350	1.6350
French franc	6.5596	6.5596
German mark	1.9364	1.9364
Italian lira	2.0361	2.0361
Japanese yen	163.89	163.89
Netherlands guilder	2.4836	2.4836
Portuguese escudo	200.48	200.48
Spanish peseta	166.64	166.64
Swiss franc	1.7366	1.7366
U.S. dollar	1.0000	1.0000
West German mark	1.9364	1.9364

Changings in London and Zurich. Rates in other European centers. New York rates of 4 P.M. (a) Commercial time; (b) American dollar to buy one pound; (c) American dollar to buy one franc; (d) American dollar to buy one mark; (e) American dollar to buy one yen; (f) American dollar to buy one guilder; (g) American dollar to buy one peseta; (h) American dollar to buy one escudo; (i) American dollar to buy one lira; (j) American dollar to buy one yen; (k) American dollar to buy one guilder; (l) American dollar to buy one peseta; (m) American dollar to buy one escudo; (n) American dollar to buy one lira; (o) American dollar to buy one yen; (p) American dollar to buy one guilder; (q) American dollar to buy one peseta; (r) American dollar to buy one escudo; (s) American dollar to buy one lira; (t) American dollar to buy one yen; (u) American dollar to buy one guilder; (v) American dollar to buy one peseta; (w) American dollar to buy one escudo; (x) American dollar to buy one lira; (y) American dollar to buy one yen; (z) American dollar to buy one guilder; (aa) American dollar to buy one peseta; 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Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month		Stock	Div. Yld.	PE	Std. 100s		Close	Quot. Chg.
High	Low				High	Low		

(Continued from Page 8)

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SCM	2.00	2.22	2.44	2.66	2.88	3.11	3.33	3.55	3.77	4.00	4.22	4.44	4.66	4.88	5.11	5.33	5.55	5.77	6.00	6.22	6.44	6.66	6.88	7.11	7.33	7.55	7.77	8.00	8.22	8.44	8.66	8.88	9.11	9.33	9.55	9.77	10.00	10.22	10.44	10.66	10.88	11.11	11.33	11.55	11.77	12.00	12.22	12.44	12.66	12.88	13.11	13.33	13.55	13.77	14.00	14.22	14.44	14.66	14.88	15.11	15.33	15.55	15.77	16.00	16.22	16.44	16.66	16.88	17.11	17.33	17.55	17.77	18.00	18.22	18.44	18.66	18.88	19.11	19.33	19.55	19.77	20.00	20.22	20.44	20.66	20.88	21.11	21.33	21.55	21.77	22.00	22.22	22.44	22.66	22.88	23.11	23.33	23.55	23.77	24.00	24.22	24.44	24.66	24.88	25.11	25.33	25.55	25.77	26.00	26.22	26.44	26.66	26.88	27.11	27.33	27.55	27.77	28.00	28.22	28.44	28.66	28.88	29.11	29.33	29.55	29.77	30.00	30.22	30.44	30.66	30.88	31.11	31.33	31.55	31.77	32.00	32.22	32.44	32.66	32.88	33.11	33.33	33.55	33.77	34.00	34.22	34.44	34.66	34.88	35.11	35.33	35.55	35.77	36.00	36.22	36.44	36.66	36.88	37.11	37.33	37.55	37.77	38.00	38.22	38.44	38.66	38.88	39.11	39.33	39.55	39.77	40.00	40.22	40.44	40.66	40.88	41.11	41.33	41.55	41.77	42.00	42.22	42.44	42.66	42.88	43.11	43.33	43.55	43.77	44.00	44.22	44.44	44.66	44.88	45.11	45.33	45.55	45.77	46.00	46.22	46.44	46.66	46.88	47.11	47.33	47.55	47.77	48.00	48.22	48.44	48.66	48.88	49.11	49.33	49.55	49.77	50.00	50.22	50.44	50.66	50.88	51.11	51.33	51.55	51.77	52.00	52.22	52.44	52.66	52.88	53.11	53.33	53.55	53.77	54.00	54.22	54.44	54.66	54.88	55.11	55.33	55.55	55.77	56.00	56.22	56.44	56.66	56.88	57.11	57.33	57.55	57.77	58.00	58.22	58.44	58.66	58.88	59.11	59.33	59.55	59.77	60.00	60.22	60.44	60.66	60.88	61.11	61.33	61.55	61.77	62.00	62.22	62.44	62.66	62.88	63.11	63.33	63.55	63.77	64.00	64.22	64.44	64.66	64.88	65.11	65.33	65.55	65.77	66.00	66.22	66.44	66.66	66.88	67.11	67.33	67.55	67.77	68.00	68.22	68.44	68.66	68.88	69.11	69.33	69.55	69.77	70.00	70.22	70.44	70.66	70.88	71.11	71.33	71.55	71.77	72.00	72.22	72.44	72.66	72.88	73.11	73.33	73.55	73.77	74.00	74.22	74.44	74.66	74.88	75.11	75.33	75.55	75.77	76.00	76.22	76.44	76.66	76.88	77.11	77.33	77.55	77.77	78.00	78.22	78.44	78.66</

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Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.				
(Other Earnings on Page 14)				
Silverstein Bell				
	1988	1987	1986	1985
Revenue	\$24.3	\$24.3	\$24.3	\$24.3
Operating Profit	\$4.3	\$4.3	\$4.3	\$4.3
Net Income	\$4.3	\$4.3	\$4.3	\$4.3
Per Share	1.00	1.00	1.00	1.00
United Jersey Banks				
	1988	1987	1986	1985
Revenue	\$500	\$500	\$500	\$500
Operating Profit	\$75	\$75	\$75	\$75
Net Income	\$75	\$75	\$75	\$75
Per Share	1.00	1.00	1.00	1.00
Time				
	1988	1987	1986	1985
Revenue	\$44.9	\$44.9	\$44.9	\$44.9
Operating Profit	\$7.0	\$7.0	\$7.0	\$7.0
Net Income	\$7.0	\$7.0	\$7.0	\$7.0
Per Share	1.00	1.00	1.00	1.00
U.S. Bancorp				
	1988	1987	1986	1985
Revenue	\$14.4	\$14.4	\$14.4	\$14.4
Operating Profit	\$2.4	\$2.4	\$2.4	\$2.4
Net Income	\$2.4	\$2.4	\$2.4	\$2.4
Per Share	1.00	1.00	1.00	1.00
TRW				
	1988	1987	1986	1985
Revenue	\$1.9	\$1.9	\$1.9	\$1.9
Operating Profit	\$0.3	\$0.3	\$0.3	\$0.3
Net Income	\$0.3	\$0.3	\$0.3	\$0.3
Per Share	1.00	1.00	1.00	1.00
Upjohn				
	1988	1987	1986	1985
Revenue	\$2.9	\$2.9	\$2.9	\$2.9
Operating Profit	\$0.5	\$0.5	\$0.5	\$0.5
Net Income	\$0.5	\$0.5	\$0.5	\$0.5
Per Share	1.00	1.00	1.00	1.00
Union Bancorp				
	1988	1987	1986	1985
Revenue	\$1.3	\$1.3	\$1.3	\$1.3
Operating Profit	\$0.2	\$0.2	\$0.2	\$0.2
Net Income	\$0.2	\$0.2	\$0.2	\$0.2
Per Share	1.00	1.00	1.00	1.00
Union Camp				
	1988	1987	1986	1985
Revenue	\$1.3	\$1.3	\$1.3	\$1.3
Operating Profit	\$0.2	\$0.2	\$0.2	\$0.2
Net Income	\$0.2	\$0.2	\$0.2	\$0.2
Per Share	1.00	1.00	1.00	1.00
Wells Fargo				
	1988	1987	1986	1985
Revenue	\$1.3	\$1.3	\$1.3	\$1.3
Operating Profit	\$0.2	\$0.2	\$0.2	\$0.2
Net Income	\$0.2	\$0.2	\$0.2	\$0.2
Per Share	1.00	1.00	1.00	1.00

[illegible][illegible][illegible][illegible]

See Figures are unaffected. Yearly highs and lows reflected previous 20 weeks plus the current week, but not the latest one day. Where a split or stock dividend amounting to 25% or more has occurred since the year's high-low range began and ended over the past 20 weeks, the year's high-low range begins at the start of the new stock unit. Unless otherwise noted, all rates of dividends are annual distributions based on the preceding declaration.

Dividend declared.
Annual rate of dividend plus stock dividend.
Declaring dividend.
called /
on yearly low./
dividend declared or paid in preceding 12 months./
dividend declared in Canadian funds, subject to 15% non-residence
dividend deferred after split-up or stock dividend.
dividend paid this year, omitted, deferred, or no action
at least dividend paid.
dividend declared or paid this year, on accumulative
with dividends in arrears.
low lies in the past 20 weeks. The high-low range begins
treating next day delivery.
price-average rate.
dividend declared or paid in preceding 12 months, plus
dividends.
split stock. Dividend begins with date of split.
dividend paid in stock in preceding 12 months, estimated
rates on ex-dividend or ex-stock distribution date.
yearly high
dividend halted.
bankruptcy or receivership or being reorganized under
the company debt, or securities assumed by such com-
pany liquidated,
where insured,
with warrants.
ex-dividend or ex-rights,
ex-distribution,
without warrants.
dividend and sales in full.
noted.
lies in full.

NYSE Highs-Lows

[illegible]

AMEX Highs-Lows

NEW HIRINGS 13			
AmTEx pr Curitiba Amp B Vellozo Ent	CDH Co Eli Ind Moosa A	CoFetSec Cilvina Tr PssPL: pfo	CHP-2500 Markiv s Teleflex
NEW LOWS 18			
ASN ATI Corp Nati Gent TortHFDri WebbDel un	Carand A Horshor MottSrnkt SelsPro WorthamBk	ComerCr n Cilvina Tr Movie Star SooTxDri	Drillers MottRish ToweryEdg TurnerInd p

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

(Other Earnings on Page 14)

[illegible]

British North Sea Oil Output Recovers From Summer Slump

LONDON — Britain's North Sea oil output has recovered from its summer slump, reaching 2.6 million barrels a day in September, Petroleum Information Service said Wednesday.

British production showed a 150,000 barrel-a-day increase over September last year and was the highest since April. North Sea output was restrained during the summer by maintenance work. According to Petroleum Information, Norway's North Sea fields have again stepped up production, with output averaging almost 854,000 barrels a day despite persistent problems in the Valhalla field.

هكذا من الاصل

BUSINESS ROUNDUP

AT&T Reports 19% Rise in Earnings

The Associated Press
NEW YORK—American Telephone & Telegraph Co. said Wednesday that its after-tax income rose 19 percent in the third quarter from a year earlier, but AT&T's chairman, Charles L. Brown, said he was not satisfied with the improvement.

AT&T reported net income in the three months ended Sept. 30 of \$378 million, or 33 cents a share, on 1,063 billion average shares outstanding, compared with \$317 million, or 28 cents a share, with 1,019 billion shares outstanding in the third quarter of 1984.

Revenue totaled \$8.9 billion in the quarter, up 11 percent from \$8 billion in 1984's third quarter.

The company said the third-quarter results included a write-down of the value of some obsolete equipment and inventory, such as older business phone systems, which reduced earnings by \$97 million, or 9 cents a share.

Partly offsetting the write-down was an adjustment for tax expenses, which improved earnings by \$30 million, or 3 cents a share.

Mr. Brown said the earnings performance "represents an improvement, but still falls short of our long-range financial target."

He said that after the 1984 divestiture of its Bell System operating companies, AT&T "turned from what was a stable well-defined track into a new and much more twisting path in which the going has been difficult at times."

"This early part of the journey is uphill as we knew it would be," he said.

For the first nine months, AT&T had net income of \$1.2 billion, or \$1.05 per common share, on 1,054 billion shares outstanding. Revenue in the first nine months amounted to \$25.8 billion.

From January through September 1984, net income was \$1 billion, or 91 cents a share, and there were 1,002 billion shares outstanding. Revenue in that period totaled \$24.8 billion.

■ Bell Earnings
 Southwestern Bell Corp. reported on Wednesday net income of \$244.3 million for the third quarter, compared with \$242.4 million in

the third quarter of 1984, United Press International reported.

Revenues for the three months ended Sept. 30 were \$1.99 billion, up from \$1.84 billion a year earlier. Earnings per share were \$2.45, down from \$2.47 in the year-earlier period. The drop reflected an additional 1.5 million shares issued in the company's dividend reinvestment plan and various employee stock plans.

The corporation's largest subsidiary, Southwestern Bell Telephone, benefited in the third quarter from continued growth in customer lines, increased connection fees from long-distance companies and cost-containment efforts, said Zane E. Barnes, chairman and chief executive officer.

Ameritech—which includes Illinois Bell, Indiana Bell, Michigan Bell, Ohio Bell and Wisconsin Bell—reported third-quarter earnings of \$285.2 million, or \$2.92 per share, up 7.1 percent from the like period a year ago. For the third quarter of 1984, Ameritech reported \$266.2 million in earnings, or \$2.72 per share.

Fiat Says Talks Still On in U.S.

Reuters
NEW YORK—Fiat SpA is continuing discussions with all the U.S. automakers on subjects "in many areas," including a possible joint venture, Umberto Agnelli, vice chairman, said Wednesday.

The company has a tentative agreement with General Motors Corp. for GM to take a minority stake of Fiat's Comau Division, in the United States, but he listed no other specific developments.

"We're trying to identify with the manufacturers economies that would be positive for both companies," he said.

He said "different views on some things" led to the recent breakdown of talks on some sort of a combination with Ford Motor Co., but he said that



Umberto Agnelli

talks continue with the major U.S. car makers.

He said Fiat has been testing the U.S. market for a possible entry of its Lancia cars, and "acceptability has been positive."

If any Lancias are to be sold in the United States, it would not be in the immediate future, he said.

U.S. Indicts Bank of New England

By Fox Butterfield
New York Times Service

BOSTON—The Bank of New England, along with one of its officers and two tellers, has been indicted by a federal grand jury for helping a convicted gambler withdraw large amounts of cash without reporting it to the government.

According to the U.S. attorney, William F. Weld, the Bank of New England participated in an unlawful scheme to allow James V. McDonough to withdraw \$817,000 from his account at a Boston branch from May 1983 to July 1984 without filing the currency-transactions reports required by the Internal Revenue Service.

Under a federal law designed to help federal law enforcement agencies trace cash illicitly generated by organized crime through narcotics, gambling and loan-sharking, banks must file the reports for all cash transactions of more than \$10,000.

The indictment Tuesday charged that a head teller at the bank's branch in the Prudential Center, a large office and retail complex, had accepted four envelopes each containing \$100 from Mr. McDonough, as well as bottles of wine at Christmas. At least five other tellers and customer service representatives in the branch also took cash-filled envelopes from Mr. McDonough, the indictment said.

The indictment cited the acceptance of the money as evidence of the scheme but did not charge bribery.

Richard D. Driscoll, president of the Bank of New England, contended Tuesday that his bank "never willfully violated any banking laws." Mr. Driscoll also insisted that he believed all the Bank of New England's employees were innocent and said that the bank

would pay their legal expenses. All bank employees indicted still are working at the bank.

The indictment grows out of a major federal investigation in Boston into how well banks in the region had complied with the currency reporting law. Last February, the Bank of Boston pleaded guilty to failing to report \$1.22 billion in international cash transfers, mostly with Swiss banks.

A few days later, a former teller at a branch of the Bank of Boston disclosed that for years the bank had accepted brown paper bags filled with cash from members of the Angulo family, a group now on trial in federal court here for being the leaders of organized crime in the city. The Bank of Boston's indictment has led to a series of disclosures by other banks around the country about their own failure to comply with the currency reporting law.

Mr. McDonough, who also was charged in Tuesday's indictment, originally was convicted on loan-sharking charges in 1976 and served one year in prison, according to state law enforcement officials. In 1978, he also was convicted on gambling charges and received a suspended sentence, the sources said.

Last April, Mr. McDonough and seven other people were indicted by a Suffolk County, Massachusetts, grand jury for reportedly operating a computerized bookmaking syndicate that took sports bets from all over the country.

At the time, Newman A. Flanagan, the Suffolk County district attorney, described Mr. McDonough as the "mastermind" of "the most elaborate and technologically sophisticated" bookmaking operation ever uncovered in the Boston area and said he "laundered" his

proceeds through an unnamed bank.

Mr. McDonough, 51, was arrested Tuesday at his home, Mr. Weld said.

A key issue in the case seemed to be how Mr. McDonough withdrew the cash from his account at the Bank of New England. Mr. Driscoll said that Mr. McDonough had more than one account at the Prudential Center branch and would often take out amounts of just less than \$10,000 from each of these accounts.

Mr. Driscoll said that the banks' lawyers had examined these transactions and concluded that since they were not a single withdrawal of more than \$10,000, they did not constitute a violation of the law.

"For seven months, we have looked at the same information the U.S. attorney has," Mr. Driscoll said. "We are sympathetic with the U.S. attorney's attempt to enlist banks in fighting organized crime." But in this case, he said, "We think he's wrong."

"In no case did we willfully disobey the law," Mr. Driscoll insisted. "We simply made a mistake."

The government has contended in previous cases that if a customer deposits or withdraws large amounts of money totaling more than \$10,000 from the same branch in one day it constitutes one transaction under the law and must be reported.

The bank officer, Carol S. Cohen, the former branch manager and now an assistant vice president, was only charged with one count of perjury for falsely telling the federal grand jury that she had not been reprimanded by senior bank officials for failing to file the currency transaction reports.

Continental Illinois Reports Earnings of \$35.8 Million

Compiled by Our Staff From Dispatches

CHICAGO—Continental Illinois Corp. on Wednesday reported third-quarter net income of \$35.8 million, or 13 cents a common share, compared with \$37.3 million, or 13 cents a common share, in the second quarter.

Continental said comparison of results of the third quarter of 1985 with the third quarter of 1984 was not meaningful because of the restructuring that occurred in September 1984. It had previously reported third-quarter 1984 net was \$4 million, or one cent a share.

For the first nine months of 1985, net income totaled \$112.4 million, or 40 cents a share.

Assets averaged \$25.1 billion in the third quarter, compared with \$25.7 billion in the second quarter. Loan volume in the quarter averaged \$21.3 billion, down about \$1.2 billion from the second quarter.

"In the year since the restructuring, we have made substantial progress in reducing our dependence on special funding arrangements, although our earnings continue to suffer from the premiums we pay for funds," said John E. Swearingen, chairman and chief executive officer.

Last year, Continental was using supplemental borrowings from the Federal Reserve and special bank funding facility of more than \$9

billion. On Sept. 30, supplemental borrowing was less than \$1 billion, Mr. Swearingen said.

William S. Ogden, chairman and chief executive officer of the corporation's Continental Bank, said Continental has had relatively flat quarterly results in the past year, during a time of soft loan demand and problems in certain sectors of the world economy. Continental's primary capital ratio, however, increased during the quarter and remains one of the strongest of the major banks, he said.

In New York, Bankers Trust New York Corp. reported Wednesday that third-quarter earnings were \$95.2 million, a 19.3-percent increase from \$79.8 million in the third quarter of 1984.

Per-share earnings were \$2.75, compared with \$2.46. Assets amounted to \$47 billion, up from \$45.1 billion, and loans of \$24.6 billion, as against \$23.8 billion.

The third-quarter net included a \$13.3-million after-tax gain relating to New York City and state tax law changes.

Republic New York Corp. reported net earnings of \$26.2 million for the third quarter, a 41.6-percent increase from \$18.8 million. Per-share earnings amounted to \$1.52, as against \$1.38.

(UPI, Reuters)

COMPANY NOTES

Associated Hotels Ltd. of Hong Kong has asked that trading in its shares be suspended until Monday on Hong Kong's four stock exchanges, pending a court ruling on its planned reorganization, a stock exchange spokesman said. A Hong Kong court will hear a petition to approve the planned restructuring.

Chubb, Peabody & Co., the fifth-largest U.S. apparel company, said a group of investors led by the California businessman, Paul A. Bitzenian, had begun a \$40-a-share cash tender offer for the common and preferred shares not already owned by the group. The offer was valued at \$258.9 million.

Dean Witter Reynolds Inc. has been told by an appeals court in Philadelphia to pay \$233,500 in damages to a couple who alleged that a broker had "churned" their commodity account—making transactions primarily to collect brokers' fees—losing thousands of dollars. A Pennsylvania Superior Court upheld the compensatory and punitive damages.

Dresdner Bank AG of Frankfurt said it would have no comment on reports that it is negotiating a joint venture with Banco de Vizcaya SA of Bilbao. Citing Madrid banking sources, Reuters reported last week that Dresdner wanted to acquire an equity stake in one of the Spanish banking group's member banks.

Eastern Airlines has included Philadelphia-Florida routes in a \$99-fare offer and dropped restrictions on purchasing tickets, the lat-

est move in the Miami-based carrier's fare war with Pan American World Airways.

Fujitsu Ltd., the Tokyo-based computer manufacturer, said IBM Corp. has filed a complaint with the American Arbitration Association demanding damages from Fujitsu for allegedly copying software not covered by a 1983 IBM-Fujitsu agreement. A Fujitsu spokesman said the company does not believe it breached the contract with IBM.

Lloyds Bank PLC said it has sold 14.06 million ordinary shares in Royal Bank of Scotland Group PLC as part of its agreement with the British government to cut its stake from 21.3 percent to not more than 16.4 percent. The bank did not identify the buyer or provide the purchase price.

Nissan Motor Co. of Tokyo said it plans to invest £27 million (\$38.07 million) in a chain of new dealerships across Britain. Nissan said the expansion is needed because of the new Sunderland plant, which is expected to produce 24,000 cars a year using kits imported from Japan.

Pengsat SA, the French automaker, has signed an agreement with China to build a large truck plant in which the Chinese public will be allowed to buy a 10-percent share. The \$79.5-million project near the southern city of Canton will produce 15,000 light trucks a year.

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U.S. Futures

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1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

er metric ton	436.00	436.00	436.00	436.00	2-annual; m-monthly; q-quarterly; y-yearly
P.					Source: UPI.

Trs Group Inc	55 1/2	12-31	10-31
Transfer Bancorp	45	11-30	11-5
Inv Fed Fndcl	10	11-14	11-4
Mumbia Gas Sys	79 1/2	11-15	10-24
Nw Jones Co	19 1/2	11-29	11-4
ed Natl Mfrs Assn	34	11-25	11-1
ed Railroads/Shp	15	11-15	11-5
Head Banks	25	12-19	11-1
ance Inc	24	11-19	11-1

S&P 100

	7.43	7.43	8.00	8.02
Bid				Prev.
Offer				Yield
10/26/32	10/26/32		10.53	10.54

by: Salomon Brothers.

by Lynch Treasury Index: 1.26

ed downward to a seasonally
ated 122.8 from a preliminary
the Ministry of International
and Industry said Wednes-
That is a 13-percentage de-

July. ... is a 1.5-percent decrease

Dollar Strengthens on Commercial Demand

They have to intervene at the tune of \$3 billion to \$4 billion if they really want to achieve anything."

Market attention was focused on reports the third-quarter figures for the U.S. gross national product due Thursday, the dealers said. Many dealers said they expected the growth rate to be revised to 3.7 percent, up from last month's 2.8-percent "flash" estimate.

Another Frankfurt dealer said: "If the GNP tomorrow meets expectations, then we could see massive intervention to knock the dollar down. If the numbers are as good as expectations, they'll have to do something or the dollar will take off."

In London, the pound closed at \$1.4085, down from \$1.4142 Tuesday.

In Tokyo, the dollar closed at ¥16.40, up from ¥15.90.

Chrysler Issue Offers 'Multiplier' Formula

sue within its total fees of 45 basis points at a discount of about 37 basis points.

In the secondary market, trading tended to be centered on a few selected issues, dealers said. Period Eurodollar deposit rates ended unimpaired from Tuesday's closing levels after a quiet session.

In other sectors, Nikko Securities Co. (Europe) Ltd. lead-managed a 70-million-Canadian-dollar bond issue for Jaccs Co., the Japanese consumer-credit company. It pays 10% percent a year over five years and was priced at 101½. The lead manager quoted the issue at a discount of 1% compared with its total fees of 1% percent.

The expected 100 million European currency units of 10-year bonds for Centrale Nucleaire Europeene a 9.5 percent, Rapides SA a 9.5 percent with a 9.5 percent coupon. The lead manager was Societe Generale and the issue finished at a discount of 1% compared with the total fees of 2 percent.

In the Japanese convertible sector, dealers said that the recent switch by investors out of domestics and into blue-chip issues continued Wednesday.

Unadjusted, the deficit was 3.68 billion francs after a 177-million surplus in August.

Adjusted, imports in September totaled 79.33-billion francs compared with 74.92 billion in August, while exports were 76.72 billion after 74.92 billion a month earlier.

The September figure brought the adjusted trade deficit through the first nine months of 1985 to 20.85 billion francs, versus a reversed 1984 nine-month figure estimated at 19.1 billion francs.

The ministry revised the method for calculating trade balance this year, making comparisons with 1984 misleading.

On the speculative side, Mr. Howe finds International Mobile Machines attractive in the long term. "It has a very advanced digital wireless telephone technology which is generations beyond most present technology," he said.

International Mobile is moving from a development stage to being a supplier of an advanced wireless system called the Ultraphone, which is being evaluated by several of the independent telephone and Bell regions, Mr. Howe added.

(Continued from Page 9)

Union would like imported raw materials to be substantially reduced, its members are optimistic that imports at least will be limited if the proposed textile import bill is passed, Arthur Gundersheim, international trade director of the union, said.

Imports of raw materials will continue to be an issue with the union, he said, because "members feel very strongly against this practice." He added, "They see their

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Britain		Price	
Howler Sidelity Group			
1st Year	1985	204	1985
Revenue	771.2	Revenue	250.1
Net Inc.	12.3	Net Inc.	0.57
Per Share	1.03	Per Share	0.57
1984	1984	1984	1984
Revenue	771.2	Revenue	250.1
Net Inc.	12.3	Net Inc.	0.57
Per Share	1.03	Per Share	0.57
United States			
Alexander & Baldwin			
3rd Quarter	1985	1984	1984
Revenue	194	Revenue	194
Net Inc.	21.4	Net Inc.	21.4
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	194	Revenue	194
Net Inc.	21.4	Net Inc.	21.4
Per Share	0.33	Per Share	0.33
A & T			
3rd Quarter	1985	1984	1984
Revenue	4,926	Revenue	4,926
Net Inc.	1,239	Net Inc.	1,239
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	4,926	Revenue	4,926
Net Inc.	1,239	Net Inc.	1,239
Per Share	0.33	Per Share	0.33
Bankers Trust N.Y.			
3rd Quarter	1985	1984	1984
Revenue	95.2	Revenue	95.2
Net Inc.	25.2	Net Inc.	25.2
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	95.2	Revenue	95.2
Net Inc.	25.2	Net Inc.	25.2
Per Share	0.33	Per Share	0.33
BellSouth			
3rd Quarter	1985	1984	1984
Revenue	264.3	Revenue	264.3
Net Inc.	1.2	Net Inc.	1.2
Per Share	1.2	Per Share	1.2
1984	1984	1984	1984
Revenue	264.3	Revenue	264.3
Net Inc.	1.2	Net Inc.	1.2
Per Share	1.2	Per Share	1.2
Champion Intl			
3rd Quarter	1985	1984	1984
Revenue	97.94	Revenue	97.94
Net Inc.	37.94	Net Inc.	37.94
Per Share	1.2	Per Share	1.2
1984	1984	1984	1984
Revenue	97.94	Revenue	97.94
Net Inc.	37.94	Net Inc.	37.94
Per Share	1.2	Per Share	1.2
Chesebrough-Pond's			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
Chicago & Nth Western			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
Con'l Illinois			
3rd Quarter	1985	1984	1984
Revenue	194	Revenue	194
Net Inc.	21.4	Net Inc.	21.4
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	194	Revenue	194
Net Inc.	21.4	Net Inc.	21.4
Per Share	0.33	Per Share	0.33
CPC Intl			
3rd Quarter	1985	1984	1984
Revenue	1,659	Revenue	1,659
Net Inc.	1.23	Net Inc.	1.23
Per Share	1.23	Per Share	1.23
1984	1984	1984	1984
Revenue	1,659	Revenue	1,659
Net Inc.	1.23	Net Inc.	1.23
Per Share	1.23	Per Share	1.23
Dun & Bradstreet			
3rd Quarter	1985	1984	1984
Revenue	69.4	Revenue	69.4
Net Inc.	17.1	Net Inc.	17.1
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	69.4	Revenue	69.4
Net Inc.	17.1	Net Inc.	17.1
Per Share	0.33	Per Share	0.33
Ethyl			
3rd Quarter	1985	1984	1984
Revenue	1,176	Revenue	1,176
Net Inc.	1.23	Net Inc.	1.23
Per Share	1.23	Per Share	1.23
1984	1984	1984	1984
Revenue	1,176	Revenue	1,176
Net Inc.	1.23	Net Inc.	1.23
Per Share	1.23	Per Share	1.23
Grace (W.R.)			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
Hoechst			
3rd Quarter	1985	1984	1984
Revenue	1,420	Revenue	1,420
Net Inc.	35.7	Net Inc.	35.7
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	1,420	Revenue	1,420
Net Inc.	35.7	Net Inc.	35.7
Per Share	0.33	Per Share	0.33
Hospital Co America			
3rd Quarter	1985	1984	1984
Revenue	4,400	Revenue	4,400
Net Inc.	15.2	Net Inc.	15.2
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	4,400	Revenue	4,400
Net Inc.	15.2	Net Inc.	15.2
Per Share	0.33	Per Share	0.33
McGraw-Hill			
3rd Quarter	1985	1984	1984
Revenue	102.4	Revenue	102.4
Net Inc.	1.23	Net Inc.	1.23
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	102.4	Revenue	102.4
Net Inc.	1.23	Net Inc.	1.23
Per Share	0.33	Per Share	0.33
Merck			
3rd Quarter	1985	1984	1984
Revenue	858.8	Revenue	858.8
Net Inc.	1.23	Net Inc.	1.23
Per Share	1.23	Per Share	1.23
1984	1984	1984	1984
Revenue	858.8	Revenue	858.8
Net Inc.	1.23	Net Inc.	1.23
Per Share	1.23	Per Share	1.23
Morgan (J.P.)			
3rd Quarter	1985	1984	1984
Revenue	399.4	Revenue	399.4
Net Inc.	1.23	Net Inc.	1.23
Per Share	1.23	Per Share	1.23
1984	1984	1984	1984
Revenue	399.4	Revenue	399.4
Net Inc.	1.23	Net Inc.	1.23
Per Share	1.23	Per Share	1.23
Morton Thiokol			
3rd Quarter	1985	1984	1984
Revenue	440.3	Revenue	440.3
Net Inc.	0.33	Net Inc.	0.33
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	440.3	Revenue	440.3
Net Inc.	0.33	Net Inc.	0.33
Per Share	0.33	Per Share	0.33
National Gypsum			
3rd Quarter	1985	1984	1984
Revenue	2,672	Revenue	2,672
Net Inc.	2.1	Net Inc.	2.1
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	2,672	Revenue	2,672
Net Inc.	2.1	Net Inc.	2.1
Per Share	0.33	Per Share	0.33
NCR			
3rd Quarter	1985	1984	1984
Revenue	1,226	Revenue	1,226
Net Inc.	0.33	Net Inc.	0.33
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	1,226	Revenue	1,226
Net Inc.	0.33	Net Inc.	0.33
Per Share	0.33	Per Share	0.33
Pfizer			
3rd Quarter	1985	1984	1984
Revenue	1,658	Revenue	1,658
Net Inc.	12.0	Net Inc.	12.0
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	1,658	Revenue	1,658
Net Inc.	12.0	Net Inc.	12.0
Per Share	0.33	Per Share	0.33
PacifiC Industries			
3rd Quarter	1985	1984	1984
Revenue	1,230	Revenue	1,230
Net Inc.	0.33	Net Inc.	0.33
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	1,230	Revenue	1,230
Net Inc.	0.33	Net Inc.	0.33
Per Share	0.33	Per Share	0.33
Roche & Haas			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
Schlumberger			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
Smith (A.O.)			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
Standard Oil			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
Union Carbide			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
W.R. Grace			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
Woolworth			
3rd Quarter	1985	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33
1984	1984	1984	1984
Revenue	242.1	Revenue	242.1
Net Inc.	21.67	Net Inc.	21.67
Per Share	0.33	Per Share	0.33

The Global Newspaper.



U.S. Official Says Japan Is Stalling in Trade Talks

By John Burgess
Washington Post Service

TOKYO — A U.S. trade negotiator charged Wednesday that Japan is stalling talks aimed at promoting larger sales of foreign radio equipment in Japan.

"They think things are fine just the way they are," said John J. McDonnell Jr., group vice president of the Washington-based Electronic Industries Association and an adviser to a U.S. delegation that completed two days of discussions here on Tuesday.

The U.S. Congress is considering legislation that would limit Japanese telecommunications sales in the United States unless Japan is perceived to have as open a market as the United States.

Prime Minister Yasuhiro Nakasone appears to be especially concerned that Japan create an image of good-faith negotiating as he prepares to leave later this month for a visit to New York and Washington.

A senior official at Japan's Ministry of Posts and Telecommunications Wednesday night said, "We have only just arrived at specific talking points; this is just the starting point."

Mr. McDonnell and another American involved in the talks, which have gone through four sessions since June, contend that no significant progress has been made. The Japanese officials declined to discuss specifics of Tuesday's talks, but he said that his side proposed that Japan would accept U.S. test data if it had been verified by the U.S. Federal Communications Commission.

Mr. McDonnell said this idea was the only significant offering from Japan in two days of discussions. He called it "almost insulting," saying that the FCC does not have the capability to provide such verification.

Until last spring, telephone equipment was at issue. U.S. officials later declared that most technical barriers to sales had been removed. They are now working for similar concessions with radio equipment, in which they feel U.S. manufacturers are particularly competitive.

At issue this week were not consumer items such as transistor radios but advanced telecommunications gear in which the U.S. is often far ahead of Japan in commercial application — car telephones, pocket pagers and radio-based data transmitters, for example.

Mr. McDonnell estimated the market here for mobile equipment could eventually grow from the current \$500 million or so a year to about \$2 billion if the government would loosen regulations and approve new types of equipment for sale. He said U.S. companies might get 20 percent of those sales.

The U.S. complains that a wide variety of equipment that Japanese companies now sell in the United States — pocket pagers that display lengthy messages rather than just beep, for instance — cannot be sold in Japan because monopoly companies and the government have not approved them.

In the talks this week, U.S. negotiators argued for an 11-point plan that provides for radical changes in regulations that govern radio equipment certification, licensing of radio transmitters and allocation of radio frequencies.

Repeating themes of last spring, the United States wants to simplify standards and scrap rules under which Japanese officials must inspect individual pieces of equipment. Companies should be able to certify that they are meeting the standards, the Americans contend.

Economic Talks Between EC, ASEAN Opening

By Reuters

BANGKOK — The European Community and the Association of Southeast Asian Nations begin talks Thursday focused on expanded economic cooperation.

ASEAN is seeking preferential treatment for exports to Europe, while the EC is looking for new investment opportunities in Southeast Asia, conference sources said.

One ASEAN source said neither group expects any major agreement and there probably will not be a communiqué.

EC figures show trade with ASEAN nations grew 60 percent between 1980 and 1984 to reach \$16.2 billion last year. The EC posted a \$187-million surplus.

Sources said both groups will reaffirm support for extending the multilateral arrangement, which expires in July.

ASEAN is expected to renew its call for access to the European Investment Bank and press for more privileges for commodities under the EC's system.

Other topics include trade protectionism, international debt, investments, commodities, technology transfers and the promotion of tourism and control of drug trafficking.

Transit Companies Battle for Slice of \$10.5-Billion Dallas Pie

By Kyle Jarrard
International Herald Tribune

DALLAS — Two years after Dallas citizens declared independence from the tyranny of traffic jams by voting to raise taxes for mass transit, internationally known transit companies are now competing for a slice of the action.

The city's planned \$10.5-billion mass transit project is one of the largest public works undertakings in the United States, and will be built with almost no federal money.

As the 26-year project gets underway, manufacturers vying to supply rail cars for the Dallas system include Alstom-Atlantique SA and the Francor consortium of France, Dugue AG of West Germany, and Tokyu Car Corp., Kawasaki Heavy Industries Ltd. and Hitachi Ltd. of Japan, officials at the Dallas Area Rapid Transit (DART) said. Contract bidding is now in process.

"We're seeing a lot of international involvement. There will be stiff competition among the companies," said Stewart M. Scott, 53, head of planning, development and design for DART's rail system. A contract for the first 100 of 318 vehicles, estimated to cost \$700,000 to \$900,000 each, will be awarded within a year. Total cost for the rail system is set at \$3.86 billion.

This is Mr. Scott's third major mass-transit project. He was deputy project director for the \$3-billion transit system in Hong Kong and, more recently, director of Singapore's \$2.5-billion project.

"I think it's a very exciting prospect to build a transit system in America," Mr. Scott said. "America is a big new challenge. And Dallas is an exciting place where people are enthusiastic about everything."

Although the Dallas rail system will cover an area of some 900 square miles (2,300 square kilometers), Mr. Scott said laying rails here will be easier than in the more densely populated and smaller urban centers of the Far East.

DART also has selected a less expensive and easier-to-install light-rail system powered through wires above the cars, instead of the heavy-rail system in which the cars are driven through a third rail in the tracks. Tunneling will be limited to a few downtown sections and under a major freeway in the northern suburbs. The rest of the track will be on or above the ground.

DART's rail engineers are Parsons, Brinckerhoff, Quade & Douglas, Inc. and DeLew, Cather & Co., both major U.S. rail consulting firms.

Dallas may be setting a trend for the future of mass transit in the United States, DART officials said. No other modern American city has ever built a mass-transit system without 80-percent financing from the federal government.

Tax revenue and fares will pay for more than 95 percent of the project. The federal government will fund 5 percent.

The lack of federal money is actually a help, Mr. Scott said.

"By separating ourselves from a source of funds that can be cut off very quickly, we can afford to plan the system over a longer period." Because federal money is allotted in batches, planning often suffers, he added, with lines being built one at a time "that don't go anywhere," and fall short of public expectations.

By taking out loans against anticipated tax revenues, DART will be able to build the rail lines concurrently and integrate them more efficiently.

The turn to mass transit is a major leap for Dallas residents, who always thought that they could live with awesome traffic. When a transit proposal was put to the ballot in 1980 it failed 2 to 1, and few were surprised.

"My car, my gun, my horse" were the city's bywords.

But old Dallas has been swamped with newcomers. In their search for upward mobility, they discovered that lateral mobility means a daily battle on the freeways. Because many of them come from parts of the country that have mass transit, they welcome something more than cars or a few battered buses.

Moves toward mass transit began three years ago, when city leaders formed a transit agency and launched a drive to sell voters on a solution. The agency held some 100 public meetings, gathered more than 700 businesses to participate in a community education campaign and mailed out more than a

million brochures explaining options for a transit system.

Not only did the agency find that the people wanted mass transit, but that they were ready to pay for it out of their own pockets. When a referendum was called in 1983, the citizens of Dallas and 13 suburbs passed a one-cent sales tax hike on themselves.

Nearly 60 percent of the voters favored an expansion of the bus system, construction of an eight-mile (12.8-kilometer) subway downtown and 147 miles of above-ground commuter rail. Two more suburbs recently voted to join DART.

"Because of the population growth in Dallas and in the northern suburbs, we knew we were going to have serious difficulties with traffic problems," said Adlene Harrison, DART's chairman. "And we knew that the Reagan administration was not going to be giving much money for rail. Had we planned a system using federal funds, there would have been no way to get it off the ground."

Mrs. Harrison, former mayor pro tem and regional director of the Environmental Protection Agency, said the public had a big hand in getting the project started. "We spent over a year going to meetings. We sat and talked to people and asked them what they wanted," she said. Based on such meetings, DART will design the system through consensus.

Inspired by a what some call *no-blame* obligation, important savings are

foreseen as Dallas developers donate property for rail right-of-way and propose joint development on some of the 83 stations planned. Major Dallas-based companies include Southland Corp., Trammell Crow Co., Diamond Shamrock Corp., Calumet Petroleum Corp., Hunt Oil Co., Texas Instruments Inc. and American Airlines.

The developers envision rail lines that service their commercial and residential centers.

Further savings are expected to result from a European-type honor system in fare collection. Riders will buy tickets from machines, thus eliminating ticket agents, video surveillance and barriers.

When the system is completed in 2010, it will be the second biggest in the United States — after New York's 230-mile subway — and is expected to carry half a million riders daily. The Dallas-area population is projected to grow from 1.4 million today to 2.5 million by 2010.

While enthusiasm for the project has now outpaced opposition, there was some initial dissent from fiscal conservatives who opposed the tax increase and said that mass transit's popularity was largely hype generated by the transit agency.

DART pinned those complaints on "people opposed to taxes period." Said Mrs. Harrison: "One of the main antagonists is a millionaire. I said to him, 'You don't care what it is, you just don't believe in taxes.' And he said, 'Yes, ma'am.'"

Trendy U.S. Parents Like Japanese Strollers

By Susan Chira
New York Times Service

OSAKA, Japan — A small Japanese company has come up with a product that perfectly suits the temper of the times and a new group of eager, anxious and affluent parents: an upscale baby stroller.

The strollers, made by Aprica Kassai Inc., are bulkier than some competitors and, at \$200 and up, a lot more expensive. They have shock absorbers, special pads to keep the baby dry and comfortable and extra-wide seats.

"Other strollers are good for mothers," said Eiyu Nitta, sales manager and a director of Aprica. "Our strollers are good for babies." Aprica sells more than 200,000 strollers a year to the United States, with most of them headed to New York and Beverly Hills, California.

The company has about an 8-percent share of the American baby stroller market, and last year's \$11.6 million in U.S. sales account for 20 percent of its pretax profits of \$1.8 million. The company, which employs 250 people in Japan and 130 overseas, had total sales of \$50 million in the fiscal year ended July of this year; its net income was \$888,000.

Things were not always this flush. "When Aprica first tried to promote its strollers to American dealers six years ago," Mr. Nitta recalled, "they took one look at the price tag and refused even to listen to Aprica's sales pitch." As other Japanese companies had done before, Aprica persevered. But at the insistence of Aprica's founder and president, Kenzo Kassai, the company built its U.S. business in an unconventional fashion for a Japanese company — starting at the top of the market, rather than the bottom.

Although Aprica strollers were several times as expensive as competing models when they made their debut in the U.S. market in 1980, Mr. Kassai resisted advice to cut prices. Nor was he willing to forgo profits, unlike other Japanese manufacturers just breaking into foreign markets.

"Taiwanese strollers sold at \$19.80 and had an established share in the market," Mr. Kassai said. "The highest price on the market was \$58, and dealers said we should sell our stroller for \$58. But it cost \$50 just to make our stroller, and \$8 wouldn't cover our freight cost or profit to distributors."

Mr. Kassai reasoned that consumers would pay more for a premium product. And in contrast to the years when Japanese manufacturers had to build a reputation for quality, "Made in Japan" was practically synonymous with quality goods when Aprica entered the U.S. market.

Mr. Kassai decided to bypass department stores, and persuaded about 20 shops specializing in high-quality infant products to give space to Aprica strollers. He then dispatched Aprica sales staff to explain the virtues of the strollers directly to customers. In 1981, the company sold 50,000 strollers, and by 1983 sales had taken off, hitting 200,000 last year. Aprica now is reaching out to mass marketers such as Sears, Roebuck & Co. and J.C. Penney Co.

"Aprica didn't start out to produce an expensive stroller," Mr. Kassai said. "We decided to produce a stroller for the sake of the baby."

Mr. Kassai, 59, is a slight, energetic man whose earnestness about infants is all but overpowering. He founded his company in 1947, after

carrying juvenile delinquents in the years that followed Japan's defeat in World War II. At that time, he said, he resolved to leave a family business manufacturing office furniture and work instead on products for children.

The then-named Kassai Inc.'s first stroller, essentially a large seat that folded up into a box about the size of a typewriter, did not catch on in Japan. So Mr. Kassai, like other Japanese companies, looked abroad for inspiration. He settled on Italy, where the Raffaele Giordani company was making high-fashion strollers in bright designer colors.

For a time, Mr. Kassai imported Giordani strollers and sold them in Japan. But Mr. Kassai felt that he could do more to adapt strollers to infants' needs. So he assembled a team of Japanese doctors to research infant development and see if any of the results could be applied to manufacturing. The doctors worked for seven years, and their research team became a permanent part of the company.

Much of the research centered on babies' hips. Mr. Nitta, the Aprica sales manager, said that doctors and health centers routinely teach Japanese mothers to diaper a child not by lifting up the legs, but by pushing up the bottom or the hip, so as not to risk dislocating the hip joint.

A pediatrician in New York, Michael Traister, said that "dislocated hips are relatively common in babies." He said, however, that "no one really knows what causes the problem, but it is not usually the result of the stroller or diapering practices."

Aprica Kassai, the renamed company, then hired Isabelle Hebe, the French interior designer whose projects include the Concorde jet, to help with the actual design of the stroller. The result was a product both sturdy and fashionable, with attention to detail and quality.

In Japanese, baby strollers are called "baby cars," and indeed it sometimes seems as though Aprica is selling cars instead of strollers. The company offers new models and colors every year. It hopes that parents will buy two strollers per child. And the battery of tests to which Aprica subjects its strollers at its factory in rural Nara prefecture, about an hour from downtown Osaka, recalls the stringent tests required for cars. Aprica strollers are baked and frozen in large ovens, dropped from heights, smashed with weights and run through a test course on a nearby mountainous road.

Aprica now commands a 40-percent share of Japan's market, but Mr. Kassai said the investment in developing the stroller was so great that only in the last four years have the strollers become profitable. In order to increase sales, Mr. Kassai said, Aprica had to market abroad. Exports to 45 countries now make up 38 percent of Aprica's total sales of 4.6 billion yen (\$2.13 million).

Even other stroller manufacturers find little fault with Apricas. Andrews Maclaren Ltd. of Britain has for years manufactured a light, portable stroller that folds up like an umbrella. Alan Nash, sales director for Andrews Maclaren, said their stroller sells for half the price of Apricas but really does not compete with Aprica. "Ours is a totally different concept," he said. "Their product is much more sophisticated and has caught the public's fashion eye. They've got something there."



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